EUROPEAN BANKING AUTHORITY

2014

ANNUAL ACCOUNTS

CERTIFICATION LETTER FROM THE EBA ACCOUNTING OFFICER

The Annual Accounts of the European Banking Authority for the year 2014 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 13 May 2015.

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 agency 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 started its operations on 1 January 2011, taking over all existing and ongoing tasks and responsibilities from the Committee of European Banking Supervisors (CEBS).

The EBA has a broad mandate which includes 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 work. 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 may be extended once.

The EBA Executive Director is in charge of the implementation of the annual work programme 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 three units (Policy Analysis and Coordination, Resolution, Consumer Protection and Financial Innovation). 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 departments and units of the EBA.

2. FINANCIAL STATEMENTS

2.1 Balance sheet

ASSETS	Note	31.12.2014	31.12.2013
NON-CURRENT ASSETS			
Intangible fixed assets	3.2.1		
Computer software		2,449,337	1,231,737
Tangible fixed assets	3.2.2		
Computer hardware		340,447	190,283
Furniture		552,547	183,931
Other fixture and fittings		9,267,001	1,302,483
Total		**12,609,332**	**2,908,434**
CURRENT ASSETS			
Current receivables	3.3.1	1,126,393	1,325,331
Sundry receivables	3.3.2	54,502	125,621
Prepaid expenses	3.3.3	141,003	704,305
Cash and cash equivalents	3.3.4	5,051,159	6,091,340
Total		**6,373,056**	**8,246,597**
TOTAL ASSETS		**18,982,388**	**11,155,031**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provision for risks and charges	3.4	1,579,348	2,576,631
Total		**1,579,348**	**2,576,631**
CURRENT LIABILITIES			
Current payables	3.5	3,651,712	1,300,183
Sundry payables	3.6	795,298	95,926
EU entities	3.7	284,253	3,631,354
Deferred revenue	3.8	6,494,024	-
Total		**11,225,287**	**5,027,463**
TOTAL LIABILITIES		**12,804,636**	**7,604,094**
NET ASSETS			
Accumulated surplus/(deficit)		3,550,937	4,554,713
Economic result for the year - profit/(loss)		2,626,815	(1,003,776)
TOTAL NET ASSETS		**6,177,752**	**3,550,937**

2.2 Statements of financial performance

	Note	2014	2013
OPERATING REVENUE	**3.9**		
Contribution from the Member States		18,960,232	13,056,163
Contribution from EFTA countries		539,649	376,338
EU Subsidy		13,815,729	8,926,142
Foreign currency conversion gains		358,630	703,659
Other administrative revenue		26,169	571
TOTAL OPERATING REVENUE		**33,700,409**	**23,062,873**
OPERATING EXPENSES	**3.10**		
Staff expenses	3.10.1	15,173,827	12,182,252
Building and related expenses	3.10.2	2,755,848	1,932,416
Other expenses	3.10.3	10,532,157	8,781,953
Depreciation and amortisation	3.10.4	2,025,564	760,381
Foreign currency conversion losses		445,526	406,580
TOTAL OPERATING EXPENSES		**30,932,922**	**24,063,581**
SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES		**2,767,487**	**(1,000,709)**
NON OPERATING REVENUES (EXPENSES)	**3.11**		
Financial revenue		22,037	-
Financial expenses		(162,709)	(3,067)
SURPLUS/ (DEFICIT) FROM NON OPERATING ACTIVITIES		**(140,672)**	**(3,067)**
SURPLUS/ (DEFICIT) FROM ORDINARY ACTIVITIES		**2,626,815**	**(1,003,776)**
SURPLUS/ (DEFICIT) FROM EXTRAORDINARY ITEMS		**-**	**-**
ECONOMIC RESULT FOR THE YEAR		**2,626,815**	**(1,003,776)**

2.3 Cash flow statements

	2014	2013
CASH FLOW FROM ORDINARY ACTIVITIES		
Surplus / (deficit) from ordinary activities	**2,626,815**	**(1,003,776)**
Operating activities		
Depreciation of Tangible fixed assets	1,930,094	760,381
Increase/(decrease) in provisions for risks and liabilities	(1,692,631)	635,476
(Increase)/decrease in short term receivables	833,360	(1,671,532)
Increase/ (decrease) in accounts payable	2,255,603	(1,553,459)
Increase/ (decrease) in liabilities related to consolidated EU Entities	(3,347,100)	2,478,288
Net cash flow from operating activities	**2,606,141**	**(354,623)**
CASH FLOW FROM INVESTING ACTIVITIES		
(Increase)/decrease in tangible and intangible fixed assets	(3,646,322)	(2,499,825)
Net cash flow from investing activities	**(3,646,322)**	**(2,499,825)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,040,181)	(2,854,448)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**6,091,340**	**8,945,787**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5,051,159**	**6,091,340**

2.4 Statement of changes in net assets

	Accumulated Surplus	Net Surplus for the Period	Total Net Assets
Balance as of 31 December 2013	3,550,937		3,550,937
Economic result of the year		2,626,815	2,626,815
Balance as of 31 December 2014	**3,550,937**	**2,626,815**	**6,177,752**

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:

1 EUR in GBP	2014	2013
Year-end exchange rate	0.7789	0.8337
Average exchange rate	0.8074	0.8490

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 from this date and still in use at the closing date.

Internally generated fixed assets relate to the development cost incurred for projects that have been authorised by the Management Board with an asset value at the end of the project 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 8 December 2020, the date at which EBA may exert the break clause of the lease contract of the new offices in Canary Wharf.

Leases

Lease of fixed 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 is 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 Intangible fixed assets

Intangible fixed assets 2014		Computer software	Intangible assets under construction	Total
Gross carrying amounts 01.01.2014	+	1,286,737	-	1,286,737
Additions	+	1,392,256	255,262	1,647,519
Disposals	-	(19,402)	-	(19,402)
Transfers between headings	+/-	120,374	-	120,374
Gross carrying amounts 31.12.2014		**2,779,965**	**255,262**	**3,035,228**
Accumulated amortisation and impairment 01.01.2014	-	(55,000)	-	(55,000)
Depreciation	-	(528,288)	-	(528,288)
Write-back of depreciation	+	2,022	-	2,022
Disposals	+	-	-	-
Impairments	-	(4,625)		(4,625)
Transfers between headings		-	-	-
Accumulated amortisation and impairment 31.12.2014		**(585,891)**	**-**	**(585,891)**
Net carrying amounts as at 31/12/2014		**2,194,075**	**255,262**	**2,449,337**

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

Internally generated software corresponds to development costs incurred in the implementation of projects in relation with the mission of the Agency.

Additions of internally generated software in 2014 correspond to three projects:

- The second release of the European Supervisory Platform system, ESP2, consisting of building the platform able to cope with the new reporting requirements derived from CRD IV. The cost is recognised as a fixed asset and amounts to EUR 1 323 608.

- The fourth release of the European Supervisory Platform system, ESP4, which will deliver additional functionalities in February 2015. The cost incurred as at 31/12/2014 amounts to EUR 139 277.

- The Credit Institutions Register – Notifications project, which is adding two new modules ("Notifications" and "Sanctions") to the currently existing application, while providing improved security. The cost incurred as at 31/12/2014 amounts to EUR 115 985.

3.2.2 Tangible fixed assets

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

		Plant and equipment	Computer hardware	Furniture	Other fixtures and fittings	Total
Gross carrying amounts 01.01.2014	+	7,182	320,116	418,044	3,545,326	4,290,667
Additions	+		171,184	422,271	9,504,890	10,098,345
Disposals	-	(2,881)	(40,895)	(204,928)	(3,153,182)	(3,401,886)
Transfer between headings	(+/-)	12,636	99,822	-	(232,832)	(120,374)
Other changes	(+/-)	-	-	-	-	-
Gross carrying amounts 31.12.2014		**16,937**	**550,226**	**635,386**	**9,664,202**	**10,866,752**
						-
Accumulated amortisation and impairment 01.01.2014	-	(224)	(129,833)	(234,113)	(2,249,801)	(2,613,970)
Depreciation	-	(4,027)	(115,420)	(43,427)	(1,199,531)	(1,362,404)
Write-back of depreciation	+	419	42,397	201,597	3,059,981	3,304,395
Impairment	-	-	(6,924)	(6,897)	(20,956)	(34,777)
Accumulated amortisation and impairment 31.12.2014		**(3,832)**	**(209,780)**	**(82,839)**	**(410,306)**	**(706,757)**
Net carrying amounts as at 31/12/2014		**13,105**	**340,447**	**552,547**	**9,253,896**	**10,159,995**

In line with the Agreement for lease signed on 14 May 2014 with the owner of the new offices in Canary Wharf, the fitting out was delivered on 8 December 2014, date of the start of the lease. The cost recognised as an asset in amount of EUR 7 133 462 includes a contribution by the landlord in amount of EUR 2 256 212 which is recognised as a deferred revenue (see Note 3.8).

The additions in other fixtures and fittings also include EUR 1 579 348 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).

Both fit out works cost and cost of returning the offices to their original state are depreciated on the period up to 8 December 2020, the date at which EBA may exert the break clause of the lease contract of the new offices in Canary Wharf.

3.3 Current assets

3.3.1 Current receivables

	31.12.2014	31.12.2013
Receivables from Member States	33,414	-
VAT recoverable	1,092,979	1,325,331
Total	**1,126,393**	**1,325,331**

The recoverable VAT relates to payments to suppliers made during the year 2014 and still to be refunded by UK Authorities.

3.3.2 Sundry receivables

	31.12.2014	31.12.2013
Pension contribution to be recovered from the Commission	-	89,384
Amounts to be regularised from staff	17,972	15,569
Landlord contribution to fit out works	-	20,669
Amounts to recover from other EU institutions	14,178	-
Accrued income	22,352	-
Total	**54,502**	**125,621**

3.3.3 Prepaid expenses

	31.12.2014	31.12.2013
Rent expenses	-	449,016
Prepaid business rates	-	3,946
Other prepaid expenses	141,003	251,343
Total	**141,003**	**704,305**

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

3.3.4 Cash and cash equivalents

	31.12.2014	31.12.2013
Citigroup (GBP Account)	2,636,001	214,189
Citigroup (EURO Account)	2,415,158	5,877,151
Total	**5,051,159**	**6,091,340**

3.4 Provisions for risks and charges

	31.12.2014	31.12.2013
Salary adjustment disputed by the Council	-	1,692,631
Re-instatement cost of the offices	1,579,348	884,000
Total	**1,579,348**	**2,576,631**

The lease contract for the new premises in Canary Wharf includes the obligation for the EBA to return the offices to their original state. An amount of EUR 1 579 348 was added as at 31 December 2014 to include the cost of returning the additional office space in Canary Wharf to its original condition.

3.5 Current payables

	31.12.2014	31.12.2013
Payables to suppliers	1,058,177	64
Accrued charges-untaken annual leaves	403,431	391,211
Accrued charges-other	2,098,652	783,613
Accrued charges-European institutions	91,451	125,295
Total	**3,651,712**	**1,300,183**

Accrued charges correspond to invoices to be received at 31 December 2014 for services rendered in 2014.

3.6 Sundry payables

	31.12.2014	31.12.2013
Sundry payables	795,298	95,926
Total	**795,298**	**95,926**

The amount as at 31 December 2014 relates essentially to tangible and intangible fixed assets received but not yet invoiced at the closing date.

3.7 Payables to EU entities

	31.12.2014	31.12.2013
Subsidy to reimburse to the European Commission	284,253	3,608,718
Other payables to the European Commission	-	22,636
Total	**284,253**	**3,631,354**

The contribution to repay to the European Commission corresponds to the budgetary result for the financial year 2014 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, 2012 and 2013 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 Deferred revenue

	31.12.2014			31.12.2013
	Original amount as at 8/12/2014	Amount reversed	Net amount as at 31/12/2014	
Landlord contribution to Fit out works cost in Canary Wharf	2,256,212	(31,336)	2,224,876	-
Capital sum received from the Landlord	4,291,684	(22,536)	4,269,148	-
Total	**6,547,896**	**(53,873)**	**6,494,024**	**-**

The landlord contribution, which corresponds to the part of the fit of works financed by the owner, is recognised as revenue on the same period as the depreciation of the related assets, i.e. until 8 December 2020, the date at which EBA may exert the break clause of the lease contract of the new offices in Canary Wharf.

The Agreement for lease signed on 14 May 2014 provides for a rent free period of 32 months which can be converted totally or partially into a capital sum to be used for the financing of the fit out works. The EBA opted for the conversion of 25 months resulting in a capital sum of EUR 4 291 684 and a remaining rent free period of 7 months.

This capital sum is recognised as a deferred income and will be recognised as revenue on the duration of the lease.

3.9 Operating revenue

The Authority's 2014 revenue comes from the following sources:

Operating revenue	2,014	2013
Contribution from Member States	18,960,232	13,056,163
Contribution from EFTA countries	539,649	376,338
EU Subsidy	13,815,729	8,926,142
Foreign currency conversion gains	358,630	703,659
Other administrative revenue	26,169	571
Total	**33,700,409**	**23,062,873**

The 2014 expected budget contributions amounted to EUR 33 599 863 split between the EU (40%) and the Member States and Observers (60%).

The contribution actually paid in 2014 by the Directorate-General for Internal Market amounted to EUR 14 099 982 including the re-imbursement of the Member States' and Observers' share (EUR 660 037) in the 2012 Budgetary surplus of EUR 1 100 062.

In accordance with Article 20.1 of the Financial Regulation, the unused part of this contribution, which corresponds to EUR 284 253 in the 2014 Budget result (see note 4.2), has to be reimbursed to the European Commission. The difference of EUR 13 815 729 is recognised as operating revenue.

3.10 Operating expenses

3.10.1 Staff expenses

	2014	2013
Salaries and related allowances	14,873,563	11,927,815
Social security	300,264	254,436
Total	**15,173,827**	**12,182,252**

3.10.2 Building and related expenses

	2014	2013
Rent	1,526,157	1,177,365
Related expenses	1,229,691	755,051
Total	**2,755,848**	**1,932,416**

3.10.3 Other expenses

	2014	2013
Office supplies	293,944	235,812
Publicity and Legal	83,342	9,089
Recruitment	85,460	70,506
Training	259,766	123,884
Travel	25,107	39,428
Experts and related expenditure	1,761,183	1,339,733
IT support cost	1,073,461	638,802
Other services	1,045,618	681,627
Operational activities	5,904,278	5,643,072
Total	**10,532,157**	**8,781,953**

Operational activities include IT expenses in amount of EUR 4 276 410, corresponding essentially to IT Infrastructure costs and consultancy on the various IT projects that do not meet the requirements for capitalisation: European Supervisory Platform: EUR 417 818; Credit Institution Register – Notifications: EUR 222 188; and other projects for an amount of EUR 568 483.

The operational activities also include the cost of travel for operational staff (EUR 1 011 659) and of translation (EUR 455 612).

3.10.4 Fixed asset related expenses

	2014	2013
Depreciation of tangible fixed assets	1,018,612	467,017
Depreciation of intangible fixed assets	528,103	55,294
Amortisation of the offices re-instatement cost	443,866	238,070
Amounts written-off	34,983	-
Total	**2,025,564**	**760,381**

3.11 Non-operating revenue (expenses)

Non-operating revenue	2014	2013
Bank interest received	22,037	-
Total	**22,037**	**-**
Non-operating expense		
Bank charges	(2,540)	(2,745)
Interest expense on late payment of charges	(1,160)	(322)
Interest expense on financing of the fit out of the new premises	(159,009)	-
Total	**(162,709)**	**(3,067)**
Total Non-Operating activities net	**(140,672)**	**(3,067)**

3.12 Contingent liabilities

Payments for operating lease commitments still to be made at 31 December 2014 for the period up to 8 December 2026, the end date of the lease contract, amount to EUR 20 400 670.

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 - One Canada Square - Canary Wharf	855,032	8,934,600	10,611,038	20,400,670

Other contingent liabilities include the part of the budgetary commitments which have not been recognised in expenses as at 31 December 2014.

Budgetary commitments	2014	2013
Commitments carried forward to year N+1	5,332,084	3,876,564
Less expenses already recognised in year N	(1,374,022)	(893,391)
Net budgetary commitments as at 31/12/N	**3,958,062**	**2,983,173**

Financial instruments

Financial instruments comprise cash, current receivables and recoverable, current payables, amounts due to and from consolidated entities. Financial instruments give rise to liquidity, credit, interest rate and foreign currency risks, information about which and how they are managed is set out below. Prepayments, accrued income, accruals and deferred income are not included.

The carrying amounts of financial instruments are as follows:

	31.12.2014	31.12.2013
Financial assets		
Current receivables	1,126,393	1,325,331
Sundry receivables	32,150	125,621
Cash and cash equivalents	5,051,159	6,091,340
Total financial assets	**6,209,702**	**7,542,292**
Financial liabilities		
Current payables	1,058,177	64
Sundry payables	795,298	95,926
EU entities	284,253	3,631,354
Total financial liabilities	**2,137,729**	**3,727,344**
Total net financial instruments	**4,071,973**	**3,814,948**

3.12.1 Liquidity risk

Liquidity risk arises from ongoing financial obligations, including settlement of payables.

The Authority manages liquidity risk by continually monitoring forecast and actual cash flows.

EU budget principles ensure that overall cash resources for a given year are always sufficient for the execution of all payments.

Details of contractual maturities for assets and liabilities form an important source of information for the management of liquidity risk.

The table below provides detail on the contractual maturity of all financial instruments of the Authority:

As at 31.12.2014	On demand	< 1 year	1-2 years	> 2 years	Total
Current receivables		1,126,393			1,126,393
Sundry receivables		32,150			32,150
Cash and cash equivalents	5,051,159				5,051,159
Total financial assets (A)	5,051,159	1,158,543	-	-	**6,209,702**
Current payables		1,058,177			1,058,177
Sundry payables		795,298			795,298
EU entities		284,253			284,253
Total financial liabilities (B)	-	2,137,729	-	-	**2,137,729**
Cumulative liquidity gap (A) - (B)	**5,051,159**	**4,071,973**	**4,071,973**	**4,071,973**	**4,071,973**

3.12.2 Credit risk

Credit risk is the risk of loss due to a debtor's/borrower's non-payment of a loan or other line of credit (either the principal or interest or both) or other failure to meet a contractual obligation. The default events include a delay in repayments, restructuring of borrower repayments and bankruptcy.

Treasury resources are kept with commercial banks. The EBA recovers contributions from national supervisory authorities and the European Commission twice a year to ensure appropriate cash management and to maintain a minimum cash balance on its bank account. This is with a view to limit its risk exposure. Requests to the European Commission are accompanied by cash forecasts. The overall treasury balances fluctuated in 2014 between EUR 4.6 million and EUR 13.7 million, with an overall amount of payments executed in 2014 of approximately EUR 36 million.

In addition, specific guidelines are applied for the selection of commercial banks in order to further minimise counterparty risk to which the EBA is exposed:

- All commercial banks are selected by call for tenders. The minimum short term credit rating required for admission to the tendering procedures is Moody's P-1 or equivalent (S&P A-1 or Fitch F1). A lower level may be accepted in specific and duly justified circumstances.

- The credit ratings of the commercial banks where the EBA has accounts are reviewed at least on a monthly basis, or higher frequency if and when needed.

The table below shows the maximum exposure to credit risk by the EBA:

	31.12.2014	31.12.2013
Current receivables	33,414	-
VAT	1,092,979	1,325,331
Other receivables	32,150	125,621
Cash in banks	5,051,159	6,091,340
Total credit risk	**6,209,702**	**7,542,292**

3.12.3 Market risk

Market risk can be split into interest rate risk and currency risk.

3.12.3.1 Interest rate risk

The EBA does not borrow any money. As a result it is not exposed to interest rate risk. It does, however, earn interest on balances it holds on its banks accounts.

Overnight balances held on commercial bank accounts earn interest on a daily basis. This is based on variable market rates to which a contractual margin (positive or negative) is applied. For most of the accounts, the interest calculation is linked to the EONIA (Euro overnight index average) or EURIBOR (Euro InterBank Offer Rate) and is adjusted to reflect any fluctuations of this rate. In case the resulting interest rate to be applied is less than 0, then a fixed rate is applied for a certain period of time. As a result no risk exists that EBA earns interest at rates lower than market rates.

Average deposit in banks in 2014 was EUR 9.2 million. Interests earned amount to 22 037 EUR.

3.12.3.2 Currency risk

Currency risk is the risk that the EBA's operations or its investment's value will be affected by changes in exchange rates.

The EBA is exposed to exchange rate fluctuations since it undertakes most transactions in GBP.
The following table is a summary of the EBA's net foreign currency-denominated monetary assets and liabilities:

Currency exposure (all amounts included in the table in EUR)				
31 December 2014	**GBP EUR equivalent**	**EUR**	**Other EUR equivalent**	**Total EUR**
Monetary assets (C)	**3,728,979**	**2,480,722**	**-**	**6,209,701**
Receivables with Member States	1,092,979			1,092,979
Other receivables		65,564		65,564
Cash and cash equiv. (incl. ST deposits <3months)	2,636,001	2,415,158		5,051,159
Monetary liabilities (D)	**2,873,288**	**843,789**	**-**	**3,717,077**
Provisions	1,579,348			1,579,348
Payables with third parties	1,293,939	559,536		1,853,475
Payables with consolidated entities		284,253		284,253
Net Position (C) - (D)	**855,691**	1,636,933	-	2,492,624

If the Euro were to weaken by 10%, the net asset position would be positively impacted by EUR 85 569

However, should this trend be confirmed in 2015, this would result in a significant decrease in the EBA's available resources, as its revenue stemming from the budget contributions are stated in EUR while the biggest part of its expenses are in GBP.

3.13 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 129 /12 of 30 April 2014.

3.14 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

		2014	2013
REVENUE			
Balancing Commission contribution	+	12,999,920	8,955,000
Surplus from 2012	+	1,100,062	3,579,860
Contributions from National Supervisory Authorities		18,960,232	13,056,162
Contributions from Observers		506,235	376,338
Bank interests		20,512	-
Other income	+	22,915	13,642
TOTAL REVENUE (a)		**33,609,876**	**25,981,002**
EXPENDITURE			
Title I:Staff			
Payments	-	19,160,331	12,985,781
Appropriations carried over	-	158,449	249,850
Title II: Administrative Expenses			
Payments	-	3,706,902	3,675,753
Appropriations carried over	-	3,431,070	2,034,511
Title III: Operating Expenditure			
Payments	-	5,336,135	2,901,001
Appropriations carried over	-	1,742,564	1,651,203
TOTAL EXPENDITURE (b)		**33,535,451**	**23,498,099**
BUDGET RESULT FOR THE FINANCIAL YEAR		**74,425**	**2,482,903**
Cancellation of unused payment appropriations carried over from previous year	+	296,725	828,736
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	+		
Exchange differences for the year (gain +/loss -)	+/-	(86,896)	297,079
BALANCE OF THE BUDGET RESULT ACCOUNT FOR THE FINANCIAL YEAR		**284,253**	**3,608,718**
Balance year N-1	+/-	3,608,718	1,100,062
Positive balance from year N-1 reimbursed in year N to the Commission	-	(3,608,718)	(1,100,062)
Result used for determining amounts in general accounting		**284,253**	**3,608,718**
Commission contribution - accrued revenue in the Agency and accrued expense in the Commission		**13,815,729**	**8,926,142**
Pre-financing remaining open to be reimbursed by the Agency to the Commission in year N+1		**284,253**	**3,608,718**

Not included in the budget result:

Interest generated by 31/12/2013 on the Commission balancing subsidy funds and to be reimbursed to the Commission (liability)	+	-	22,636

4.3 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).

		2014	2013
Economic result for the year (positive for surplus and negative for deficit)	**+/-**	**2,626,815**	**(1,003,776)**
Adjustment for accrual items (items not in the budgetary result but included in the economic result)			
Adjustments for Accrual Cut-off (reversal 31.12.N-1)	-	(1,300,119)	(1,699,972)
Adjustments for Accrual Cut-off (cut- off 31.12.N)	+	1,574,352	1,300,119
Depreciation of intangible and tangible assets (1)	+	2,025,564	763,907
Provisions (1)	+	(122,000)	773,816
Recovery Orders issued in in class 7 and not yet cashed	-	(33,414)	-
Payments made from carry-over of payment appropriations	+	3,638,840	5,719,072
Adjustments for deferred charges (reversal 31.12.N-1)	+	255,289	55,485
Adjustments for deferred charges (cut-off 31.12.N)	-	(141,003)	(255,289)
Miscellaneous revenue not in budget result	-	(45,374)	-
Not capitalised part of the fit out work in the economic result but not in budget result because financed by the capital sum	+	379,164	-
Estimated impact of the reversal of the salary adjustment 2011-2012	-	(140,589)	-
Other *)	+/-	(60,024)	35,591
Adjustment for budgetary items (item included in the budgetary result but not in the economic result)			
Asset acquisitions (less unpaid amounts)	-	(2,877,193)	(2,595,766)
New pre-financing paid in the year and remaining open as at 31.12.	-	-	-
New pre-financing received in the year and remaining open as at. 31.12.	+	284,253	3,608,718
Budgetary recovery orders issued before and cashed in the year	+	-	13,642
Budgetary recovery orders issued in on balance sheet accounts (not 7 or 6 accounts) and cashed	+	-	-
Capital payments on financial leasing (they are budgetary payments but not in the economic result)	-	-	-
Payment appropriations carried over to N+1	-	(5,332,083)	(3,935,564)
Cancellation of unused carried over payment appropriations from previous year	+	296,725	828,736
Adjustment for carry-over from the previous year of appropriations available at 31.12 arising from assigned revenue	+	-	-
Payments for pensions (they are budgetary payments but booked against provisions)	-	-	-
Payments for stocks of leave and supplementary hours (they are budgetary payments but booked against provisions)	-	-	-
Other **)	+/-	(744,949)	
Total		284,253	3,608,718
Budgetary result		**284,253**	**3,608,718**

** The amount of EUR 744 949 corresponds to the part of the fit out cost not financed by the capital sum received from the landlord. This amount has not been booked in the economic result but is included in the budgetary result.

4.4 Budgetary transfers

Chapter	Initial Budget appropriations (a)	Transfers 2014 (b)	Final Budget Appropriations (a) + (b)
11 - Staff in active employment	17,854,922	147,665	18,002,587
12 - Expenditure relating to staff management and recruitment	904,500	126,833	1,031,333
13 - Mission expenses, travel and incidental expenses	65,000	-39,877	25,123
14 - Socio-medical infrastructure	75,000	-25,500	49,500
16 - Training	220,000	0	220,000
17 - Representation expenses, receptions and events	32,500	-3,250	29,250
Total Title I	**19,151,922**	**205,871**	**19,357,793**
20 - Rental of building and associated costs	4,893,300	-124,280	4,769,019
21 - Information and communication technology	819,670	-360,477	459,193
22 - Movable property and associated costs	345,000	652,402	997,402
23 - Current administrative expenditure	369,000	-207,519	161,481
24 - Postage and telecommunications	305,000	-84,330	220,670
25 - Information and publishing	200,000	-16,075	183,925
26 - Meeting expenses	460,000	-98,103	361,897
Total Title II	**7,391,970**	**-238,382**	**7,153,588**
31 - Common Supervisory Culture: training for national supervisors and staff exchanges and secondments	1,785,971	719,517	2,505,488
32 - Collection of information, developing and maintenance of a central European database	4,160,000	-772,166	3,387,834
33 - Data Exchange System and Solutions	1,110,000	85,161	1,195,161
Total Title III	**7,055,971**	**32,511**	**7,088,482**
TOTAL TITLES (I+II+III)	**33,599,863**	**-**	**33,599,863**

A small number (five) of the budgetary transfers executed during the year 2014 exceeded the limit of 10% referred to in Article 27 of the EBA Financial Regulation. In these instances the transfers were approved by the EBA Management Board.

4.5 Budgetary execution in 2014

Title	Voted Budget 2014 after transfers (1)	Commitments		Payments		Carried Forward (4) = (2) - (3)	
		Committed (2)	% (2) / (1)	Paid (3)	% (3) / (1)		% (4) / (2)
I: Staff	19,357,793	19,318,780	99.8	19,160,331	99.0	158,449	0.8%
II: Administrative	7,153,588	7,137,972	99.8	3,706,902	51.8	3,431,070	48.1%
III: Operational	7,088,482	7,078,699	99.9	5,336,135	75.2	1,742,564	24.6%
TOTAL	**33,599,863**	**33,535,451**	**99.8%**	**28,203,368**	**83.9%**	**5,332,083**	**15.9%**

4.5.1 Execution 2014

The EBA had an overall budget execution rate in 2014 of 99.8% for commitments and 83.9% for payments. This is a result of improvements in budget planning and monitoring while also reflecting the on-going under-resourcing of the agency.

The report on detailed implementation of the budget by chapter is shown in Note 4.7.

Note 4.4 summarises the budget transfers by chapter.

4.5.2 Carry forward to 2015

In title II, the payment execution rate of 51.8% is low as a result of the EBA moving office in mid-December. This accounted for two million euros of the carry-forward, with open commitments at the year-end for furniture, dilapidations at the previous offices, fit-out costs and property consultant fees. Without the office move commitments, the carry-forward on title II would have been 1.34 million euros and 18% of the title II commitments.

In title III, the 24.6% carry forward is comprised mostly of CdT editing and translations costs not invoiced at year end (0.6 MEUR), on-going contracts for work on IT projects (0.7 MEUR) and annually renewable IT maintenance and licences (0.3 MEUR). In fact, the carry forward percentage related to IT contracts decreased by 9% compared to 2013 carry forward.

The table below shows the improvement in carry forward percentages compared to the previous year, excluding the exceptional costs arising from the office move:

Carry forward % by title	2014 % (1)	2013 % (2)	Movement 2014 - 2013 (1) - (2)
I: Staff	1	2	-1
II: Administrative*	18	34	-16
III: Operational	25	33	-8
TOTAL	**10**	**15**	**-5**

* excludes exceptional carry forward arising from office move.

4.6 Budgetary execution in 2014 on carry-forward from 2013

Title	Appropriations (1)	Paid (2)	% (2) / (1)	Appropriations cancelled (1) - (2)
I: Staff	249,850	220,266	88%	29,584
II: Administrative	2,034,511	1,877,388	92%	157,123
III: Operational	1,651,203	1,541,185	93%	110,018
TOTAL	**3,935,564**	**3,638,839**	**92%**	**296,725**

The shortfall in execution against the 95% target equals EUR 99 947. A price reduction on IT infrastructure services carry-forward accounts for EUR 60,407 of this.

4.7 Detailed budget implementation 2014 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	18,002,587	18,000,322	99.99	18,000,322	99.99	-	-
12 - Expenditure relating to staff management and recruitment	1,031,333	1,028,288	99.71	947,915	91.91	80,373	7.82
13 - Mission expenses, travel and incidental expenses	25,123	25,123	100.00	25,123	100.00	-	-
14 - Socio-medical infrastructure	49,500	48,822	98.63	47,140	95.23	1,682	3.45
16 - Training	220,000	196,552	89.34	121,756	55.34	74,796	38.05
17 - Representation expenses, receptions and events	29,250	19,673	67.26	18,075	61.80	1,598	8.12
Total Title I	**19,357,793**	**19,318,780**	**99.79%**	**19,160,331**	**98.98%**	**158,449**	**0.82**
20 - Rental of building and associated costs	4,769,019	4,768,984	99.99	2,637,805	55.31	2,131,179	44.69
21 - Information and communication technology	459,193	459,193	100.00	265,462	57.81	193,731	41.75
22 - Movable property and associated costs	997,402	991,776	99.44	58,437	5.86	933,339	94.11
23 - Current administrative expenditure	161,481	161,481	100.00	107,487	66.56	53,994	33.44
24 - Postage and telecommunications	220,670	210,717	95.49	168,491	76.35	42,226	20.04
25 - Information and publishing	183,925	183,925	100.00	146,445	79.62	37,480	20.38
26 - Meeting expenses	361,897	361,897	100.00	322,777	89.19	39,120	10.81
Total Title II	**7,153,588**	**7,137,972**	**99.78%**	**3,706,902**	**51.82%**	**3,431,070**	**48.07%**
31 - Common Supervisory Culture: training for national supervisors and staff exchanges and secondments	2,505,488	2,495,847	99.62	1,842,700	73.55	653,147	26.17
32 - Collection of information, developing and maintenance of a central European database	3,387,834	3,387,691	99.99	2,639,681	77.92	748,010	22.08
33 - Data Exchange System and Solutions	1,195,161	1,195,161	100.00	853,755	71.43	341,406	28.57
Total Title III	**7,088,482**	**7,078,699**	**99.86%**	**5,336,135**	**75.28%**	**1,742,564**	**24.62**
Total Titles (I + II + III)	**33,599,863**	**33,535,451**	**99.81%**	**28,203,368**	**83.94%**	**5,332,083**	**15.90**

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 were validated by the Accounting officer in compliance with Article 50.1(e) of the EBA Financial Regulation 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.

During the year 2014, and with a view to increasing efficiency, two changes were introduced to the working of the above referred systems. The first relates to the implementation of mass payments for missions resulting in a significant reduction in the time required to execute payments for missions. The second refers to the introduction of electronic receipt of invoices, initially only for IT suppliers managed by the Commission under DIGIT framework contracts. The two changes have been successfully tested and do not call into question the validation of financial systems.

A full physical inventory was performed in the fourth quarter of 2014, covering all the assets received from the Committee of European Banking Supervisors as well as new acquisitions made in 2011, 2012, 2013 and the first 9 months of 2014.
The same exercise was performed in January and February 2015 in order to identify possible necessary retirement or impairment as a result of the move to the new offices.
In both cases no material discrepancies were identified.

The procedure for recognition of the intangible fixed assets implemented in previous year was improved in 2014 by means of the introduction of built-in controls in the time sheets, resulting in a stronger reliability of the information provided, as well as by specific training sessions organised for EBA staff and consultants.

Subsequent to the entry into force of the new EBA Financial Regulation on 1 January 2014,
Financial Implementing rules were drafted and adopted by the Management Board on 24 September 2014.