

# ANNUAL ACCOUNTS

2020

 **EBA** | EUROPEAN  
BANKING  
AUTHORITY

# Accounting Officer's Certificate

## on the Annual Accounts

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the European Banking Authority in accordance with Article 102 of the Framework Financial Regulation<sup>1</sup>.

I hereby certify that the annual accounts of the European Banking Authority for the year 2020 have been prepared in accordance with Title IX of the Framework Financial Regulation and the accounting rules adopted by the Commission's Accounting Officer, as are to be applied by all the institutions and Union bodies.

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

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 fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of the EBA.

Paris, 3 June 2021

Jordi Climent-Campins  
*Accounting Officer*

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<sup>1</sup> COMMISSION DELEGATED REGULATION (EU) 2019/715 of 18 December 2018 on the framework financial regulation for the bodies set up under the TFEU and Euratom Treaty and referred to in Article 70 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council.

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# Abbreviations

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ABAC	Accrual Based Accounting (accounting system used at the EBA)
AML	Anti-money laundering
BoS	Board of Supervisors
CA	Commitment appropriations
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ESAs	European Supervisory Authorities
ESMA	European Securities and Markets Authority
ESP	European Supervisory Platform
EU	European Union
EUCLID	European Centralised Infrastructure for Supervisory Data
FinTech	Financial technology
FISMA	Directorate-General for Financial Stability, Financial Services and Capital Markets
FR	Financial Regulation
FWC	Framework Contract
FX	Foreign exchange rate
ICT	Information and communication technologies
IT	Information and technology
MB	Management Board
NCA	National Competent Authority
PA	Payment appropriations
PSD	Payment Services Directive
P&L	Profit and loss account
RAL	Reste à liquider (share of a committed amount not yet paid)
SI	Significant Institutions
SPD	Single Programming Document
SSM	Single Supervisory Mechanism
UK	The United Kingdom
WP	Annual Work Programme

# Background information

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## The 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, amended by Regulations (EU) No 1022/2013, No 2018/1717 and No 2019/2175 of the European Parliament and of the Council. 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 by European Union funds and through contributions by EU and EFTA Member States made in accordance with the weighting of votes laid down in Article 3(3) of the Protocol (No 36) on transnational transitions (recital 68 of the EBA Regulation).

## The Authority's structure

The European Banking Authority is governed by its Board of Supervisors and its 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 chairing 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 may be extended once. The Executive Director's mandate started in September 2020.

Since the organisational restructuring effective on 1 March 2018, the EBA is organised in four departments:

- ⇒ Prudential Regulation and Supervisory Policy;
- ⇒ Banking Markets, Innovation and Consumers;
- ⇒ Economic Analysis and Statistics;
- ⇒ Operations;

each of them composed by three or four units. The EBA works in turn 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 out by the departments and units of the EBA.

## Highlights of the year

During the financial year 2020, the EBA underwent a series of key events with an impact in its financial statements, including:

- ⇒ The definitive closure of the premises in the UK;
- ⇒ The successful delivery of EUCLID WS3 Resolution Reporting and SI data collection and the commencement of the EBA Collaboration Platform Programme;
- ⇒ The EBA joined the EC central treasury services as from September 2020;
- ⇒ The EBA successfully managed the transition to full remote setting during the coronavirus outbreak and ensured smooth operations and safety of its staff during the whole period with no disruption of its support services;

In summary, a total of EUR 49,367 thousand were paid in 2020, representing a 7.6% increase in relation to the previous reporting period.

# Financial Statements

## Statement of financial position

	Note	2020	2019
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<i>Intangible fixed assets</i>	II.1.a		
Computer software		2,942,476	2,828,430
<i>Tangible fixed assets</i>	II.1.b		
Plant and equipment		11,466	16,755
Computer hardware		112,701	160,326
Furniture		443,658	397,444
Other fixtures and fittings		4,257,514	4,769,529
<i>Long term receivables and recoverables</i>	II.1.c		
Contribution from the Host State		3,425,000	-
<b>TOTAL</b>		<b>11,192,815</b>	<b>8,172,484</b>
<b>CURRENT ASSETS</b>			
	II.2		
Current receivables	II.2.a	2,069,625	1,179,703
Sundry receivables	II.2.b	4,411,182	227,459
Deferred charges and accrued income	II.2.c	1,590,523	1,175,137
Cash and cash equivalents	II.2.d	2,574	6,966,785
<b>TOTAL</b>		<b>8,073,903</b>	<b>9,549,084</b>
<b>TOTAL ASSETS</b>		<b>19,266,718</b>	<b>17,721,568</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Provisions for risks and charges	II.3	1,199,405	1,198,402
Deferred revenue	II.4	8,147,122	2,749,562
<b>TOTAL</b>		<b>9,346,528</b>	<b>3,947,964</b>
<b>CURRENT LIABILITIES</b>			
Provisions for risks and charges	II.3	1,514,037	12,262,240
Current payables	II.5.a	3,661,387	2,983,862
Sundry payables	II.5.b	-	-
Payables towards EU entities	II.5.c	858,651	1,031,028
Deferred revenue	II.4	1,286,600	2,528,076
<b>TOTAL</b>		<b>7,320,674</b>	<b>18,805,207</b>
<b>TOTAL LIABILITIES</b>		<b>16,667,201</b>	<b>22,753,171</b>
<b>TOTAL NET ASSETS</b>		<b>2,599,517</b>	<b>(5,031,603)</b>

## Statement of financial performance

	Note	2020	2019
<b>OPERATING RESULT</b>			
<b>OPERATING REVENUE</b>	<b>III.1</b>		
Contribution from the Member States		28,103,650	26,096,889
Contribution from EFTA countries		798,399	741,388
EU Balancing subsidy		16,955,123	17,461,535
Contribution from the Host State		-	1,981,804
Foreign currency conversion gains		745,429	204,041
Other administrative revenue		1,294,795	24,836
<b>TOTAL</b>		<b>47,897,396</b>	<b>46,510,493</b>
<b>OPERATING EXPENSES</b>	<b>III.2</b>		
Staff expenses	III.2.a	27,094,079	27,211,384
Building and related expenses	III.2.b	2,667,296	3,149,643
Other expenses	III.2.c	8,133,850	9,181,101
Depreciation and amortisation	III.2.d	1,906,756	3,878,378
Foreign currency conversion losses		306,731	713,401
<b>TOTAL</b>		<b>40,108,711</b>	<b>44,133,907</b>
<b>SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>		<b>7,788,684</b>	<b>2,376,585</b>
<b>NON-OPERATING RESULT III.3</b>			
Financial revenue		1,352	12,597
Financial expenses		158,917	112,082
<b>SURPLUS/(DEFICIT) FROM NON-OPERATING ACTIVITIES</b>		<b>(157,565)</b>	<b>(99,485)</b>
<b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES</b>		<b>7,631,119</b>	<b>2,277,099</b>
<b>SURPLUS/(DEFICIT) FROM EXTRAORDINARY ITEMS</b>		<b>-</b>	<b>-</b>
<b>ECONOMIC RESULT FOR THE YEAR</b>		<b>7,631,119</b>	<b>2,277,099</b>



## Cash flow statement

	2020	2019
<b>CASHFLOW FROM ORDINARY ACTIVITIES</b>		
<b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES</b>	<b>7,631,119</b>	<b>2,277,099</b>
Depreciation and amortisation	1,906,756	3,878,378
Increase/(decrease) in provisions for risks and liabilities	(10,747,200)	(1,102,151)
(Increase)/decrease in receivables	(8,914,030)	(492,585)
Increase/ (decrease) in accounts payable	679,038	472,043
Increase/ (decrease) in liabilities to consolidated entities	(172,377)	774,972
Increase/(decrease) in deferred income	4,156,084	2,150,183
<b>NET CASHFLOW FROM OPERATING ACTIVITIES</b>	<b>(5,460,610)</b>	<b>7,957,940</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
(Increase)/decrease in tangible and intangible fixed assets	(1,503,602)	(6,578,683)
<b>NET CASHFLOW FROM INVESTING ACTIVITIES</b>	<b>(1,503,602)</b>	<b>(6,578,683)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(6,964,212)</b>	<b>1,379,257</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>6,966,785</b>	<b>5,587,528</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>2,574</b>	<b>6,966,785</b>

## Statement of changes in net assets

	ACCUMULATED SURPLUS	NET SURPLUS/(DEFICIT) FOR THE PERIOD	TOTAL NET ASSETS
Balance as at 31 December 2019	(5,031,603)		(5,031,603)
Economic result for the year		7,631,119	7,631,119
<b>Balance as at 31 December 2020</b>	<b>(5,031,603)</b>	<b>7,631,119</b>	<b>2,559,516</b>

# Notes to the Financial Statements

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## I. Significant accounting policies

### 1. Accounting principles

The annual accounts of the European Banking Authority comprise the financial statements and the reports on the implementation of the budget.

The objective of the annual accounts is to provide information on the financial position, performance and cash flows of the EBA in a way that is useful to a wide range of stakeholders and other users.

The overall considerations (or accounting principles) to be followed when preparing the financial statements are laid down in the EU Accounting Rule 1 'Financial Statements' and are the same as those described in IPSAS 1: fair presentation, accrual basis, going concern, consistency of presentation, materiality, aggregation, offsetting, prudence and comparative information. The qualitative characteristics of the financial reporting are relevance, faithful representation (reliability), understandability, timeliness, comparability and verifiability.

The financial statements show all charges and income for the financial year, based on accrual accounting rules that 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.

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

### 2. Basis of preparation

The financial statements are prepared on a going concern basis as there is no indication that the Authority will not continue to operate in its current state for the twelve months from the date of establishing these accounts. The reporting period elapses between 1 January to 31 December.

#### Withdrawal of the United Kingdom from the EU – Brexit

On 29 March 2017, the United Kingdom notified the European Council of its decision to withdraw from the European Union. On 20 November 2017, the General Affairs Council of the European Union agreed to move the seat of the European Banking Authority to Paris.

This decision was confirmed on 14 November 2018 by the Regulation (EU) 2018/1717 of the European Parliament and of the Council amending Regulation (EU) No 1093/2010, which establishes Paris as the new seat of the Authority from 30 March 2019.

A new lease agreement in La Défense was signed on 10 May 2019, and the physical move of the Authority from its premises in London took place on 31 May 2019.

The lease contract for the premises in London, which was planned to be in force from 2014 until 2026, allowed for a break option after the sixth year elapsed. The Authority decided to exercise such an option, and the venue in Canary Wharf was effectively closed on 7 December 2020.

The United Kingdom ceased to be a Member State of the European Union on 1 February 2020. Following the conclusion of an Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the 'Withdrawal Agreement') between the two parties, the United Kingdom committed to pay all its obligations under the current MFF and previous financial perspectives following from its membership of the Union. The United Kingdom has paid into the 2020 EU Budget during the year, and received payments, as if it were a Member State.

Consequently, throughout these accounts, and in accordance with the instructions provided by the Commission's Accounting Officer, the UK is still categorised as a Member State. The UK has contributed to the EBA's 2020 budget in the same proportion it used to do in previous years. Articles 104 and 119 of the UK Withdrawal Agreement<sup>2</sup> establish that article 3 of Protocol No 7 on the Privileges and Immunities of the European Communities shall apply in respect to all Union's assets, revenues and other property in the UK at the end of the transition period. As a result, the VAT amounts paid for services under such contracts are still considered as a receivable by the Authority.

Article 76 of the UK Withdrawal Agreement does as well state that "*the non-discrimination principle shall be complied with by contracting authorities and contracting entities with regard to tenderers [...] from the Member States and the United Kingdom*" when the procurement procedure impacted is fed by appropriations stemming from the 2014-2020 Multiannual Financial Framework. At the reporting date of these accounts, the EBA, in its quality as Authorising Officer, had:

- ⇒ Specific contracts signed with UK parties for which the amount committed and still due amounts to EUR 61,400;
- ⇒ FWCs ongoing which include potential UK contractors, with a remaining amount to be contracted amounting up to a maximum of EUR 1,234,000;

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<sup>2</sup> Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community of 12 November 2019 (2019/C 384 I/01 – Official Journal of the European Union).

As from 2021, the UK will no longer contribute to the Authority's budget. This however does not pose a change in the legal base regulating the way in which the EBA is funded – Member States will still be contributing for 60% of the adopted budget based on the European Commission total funding, hence covering for the gap left by the withdrawal of the UK.

### Impact of the COVID-19 pandemic on the Authority's operations

France has adopted different measures to combat the COVID-19 pandemic from March 2020, some of which are still in place at the date of signature of these accounts. The EBA has adjusted its activities to the recommendations received by the French authorities on the matter. This has been translated into a significant reduction of the availability of the Authority's premises and of the capacity of staff to travel for work matters. These measures have as well slowed down the EBA's ability to hire new staff. Consequently, a significant reduction can be seen in the following categories of expenses in comparison with previous years:

- ⇒ Mission expenses;
- ⇒ Utilities costs, given the reduced use of the Authority's premises since the start of the measures;
- ⇒ Meeting costs, as a result of the prohibition to hold in-house meetings both with internal staff and with external stakeholders in the Authority's premises since March;

In order to ensure sound financial management, the Authority agreed to reduce its budget by a total of EUR 3.7 million, which were never called from the funders. The figures of this budget amendment, on the expenditure side, can be split as follows:

Title	Amount	% of initially budgeted by title
I: Staff expenditure	(1,550,500)	-5%
II: Administrative expenditure	(228,000)	-2%
III: Operational expenditure	(1,887,500)	-26%
	<b>(3,666,000)</b>	<b>-7%</b>

At the date of signature of these accounts, the Authority has however not identified any material degradation of its assets and liabilities at the reporting date.

All EBA staff has been required to work remotely as a default set up since 12 March 2020. This has involved a learning curve to its personnel, which required adjusting the existing procedures in order to successfully achieve the needs of the service in a full remote environment. The Authority's management has not identified any significant deviation in the productivity of the EBA as a whole or any major disruption in its service provision.

Whilst uncertain, it is deemed unlikely that the impact of the COVID-19 pandemic will have a material adverse effect on the Authority's financial condition or liquidity in future reporting periods.

### 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

Foreign currency transactions are recorded in euros using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Different conversion methods apply to property, plant and equipment and intangible assets, which retain their value in euros at the date when they were purchased.

Year-end balances of monetary assets and liabilities denominated in foreign currencies are translated into euros on the basis of the European Central Bank (ECB) exchange rates applying on 31 December.

Due to its previous location in the United Kingdom, the main foreign currency used by the EBA has been the pound sterling (GBP). Exchange rates GBP/EUR used for the preparation of the accounts are as follows:

EUR/GBP	2020	2019
Year-end exchange rate	0.8990	0.8508
Average exchange rate	0.8854	0.8793

### 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.

### 3. Balance sheet

#### Non-current assets

Non-current fixed assets encompass all acquisitions made since 1 January 2011 and still in use at the closing date.

Internally generated intangible assets are capitalised when the Management Board has authorised a project with an asset value higher than EUR 250 000 and when it complies with the relevant criteria laid down in the EU accounting rules. The capitalisable costs include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management (development). Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses when incurred.

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the Authority and its cost can be measured reliably. Repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred.

Assets under construction are not depreciated as these assets are not yet available for use.

Fixed assets depreciation is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Type of asset	Straight line depreciation rate
Hardware and software	25 %
Audio-visual equipment	25 %
Movable furniture	10 %
Other fixtures and fittings	10 % to 12 %

Gains or losses on disposals are determined by comparing proceeds less selling expenses with the carrying amount of the disposed asset and are included in the statement of financial performance.

#### 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 to ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. This is the case for rent paid.

### Receivables and recoverables

Receivables and recoverables from non-exchange transactions are carried at original amount (adjusted for interests and penalties) less write-down for impairment. A write-down for impairment is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the recoverables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance.

### Cash and cash equivalents

Cash only encompasses cash in hand, as there are no other cash equivalents or liquid investments with original maturities of three months or less to be reported. Currently, the Authority has contracts with two commercial banking entities.

### Payables

Included under accounts payable are both amounts related to exchange transactions such as the purchase of goods and services and to non-exchange transactions e.g. amounts to be paid back to the funding entities as a result of balancing subsidies.

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 or services are delivered and accepted by the Authority.

### Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities ('expected value' method).

Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.



### Accrued and deferred revenue and charges

Transactions and events are recognised in the financial statements in the period to which they relate.

All revenue due to the Authority according to existing contractual arrangements and not yet cashed, will lead to the recognition of an accrued revenue in the financial statements. In addition, when the EBA has authorised and cashed amounts relating to activities not yet incurred, the revenue will be deferred and recognised in subsequent accounting periods.

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 instance, amounts relating to accrued vacation pay). Accrued charges 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.

## 4. Statement of financial performance

### Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the entity, which represents an increase in net assets. The EBA's revenue is in full of a non-exchange nature, meaning that it is composed by economic inflows for which the transferor provides resources to the Authority without the recipient entity providing approximately equal value directly in exchange.

The EBA's revenue consists of contributions received from the EU and from the EU National Competent Authorities (NCAs), increased by the EFTA NCAs' contributions and the amount of the employer's contribution of the European pension scheme to be financed by the EU and the EFTA NCAs, in compliance with Article 83(a)(2) of the Staff Regulations and CEOS (SR) applicable to the European Banking Authority.

Pursuant to Article 16(5) of the EBA Financial Regulation, the EU contribution constitutes a balancing subsidy to 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 balancing contribution has to be returned to the European Commission and booked as a liability.

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

## Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity. EBA's expenditure consists in full of exchange expenses.

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.

## 5. 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 Authority.

## 6. Other

### Employee benefits

The staff of the Authority is entitled to pension rights according to the pension scheme as defined in the Staff Regulations and CEOS of the European Communities. The corresponding pension benefits are managed and paid by the European Commission. In compliance with Article 83(a) of the SR, the contribution needed to fund the scheme is financed by the General Budget of the European Communities and no employer contribution is paid by the Authority, except for the part financed by the Member States and the EFTA National Competent Authorities pursuant to Article 83(a)(2) of the SR. As a result of this, no pension liability is recognised in the balance sheet of the Authority.

## 7. Consolidation

The accounts of the European Banking Authority are fully consolidated with the EU annual accounts.

## II. Statement of financial position

### 1. 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.

#### Intangible fixed assets

	Computer software	Intangible assets under construction	Total
<b>Gross carrying amounts 01.01.2020</b>	<b>8,439,469</b>	-	<b>8,439,469</b>
Additions	1,210,314	95,592	1,305,906
Disposals	(4,200,590)	-	(4,200,590)
Transfers between headings	-	-	-
Other changes	-	-	-
<b>Gross carrying amounts 31.12.2020</b>	<b>5,449,193</b>	<b>95,592</b>	<b>5,544,785</b>
<b>Accumulated amortisation and impairment as at 01.01.2020</b>	<b>(5,611,039)</b>	-	<b>(5,611,039)</b>
Amortisation	(1,191,860)	-	(1,191,860)
Disposals	4,200,590	-	4,200,590
<b>Accumulated amortisation and impairment as at 31.12.2020</b>	<b>(2,602,309)</b>	-	<b>(2,602,309)</b>

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 Authority.

Additions of internally generated software in 2020 correspond (for EUR 1 197 374) to the EUCLID Work stream 3 project, as well as to the Collaboration Platform programme for an amount of EUR 95 592 (still under development at the reporting date).

The go-live of EUCLID Work stream 3 meant the phasing out of both the previously capitalised ESP upgrades (versions 1, 2, 4 and 6) and the CIR software. These disposals accounted for EUR 3 339 305 of the total intangible assets written off during the reporting period. At the date of disposal, these were fully depreciated, hence the net assets of the Authority were not impacted.

## Tangible fixed assets

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

	Plant and equipment	Furniture	Computer hardware	Fixtures and fittings	Assets under construction	Total
<b>Gross carrying amounts 01.01.2020</b>	<b>34,955</b>	<b>827,273</b>	<b>564,896</b>	<b>15,880,281</b>	-	<b>17,307,406</b>
Additions	-	22,878	31,124	143,693	-	197,696
Disposals	-	(28,058)	(66,354)	(10,581,846)	-	(10,676,258)
Transfers between headings	-	-	-	-	-	-
<b>Gross carrying amounts 31.12.2020</b>	<b>34,955</b>	<b>822,094</b>	<b>529,666</b>	<b>5,442,128</b>	-	<b>6,828,843</b>
<b>Accumulated depreciation and impairment as at 01.01.2020</b>	<b>(18,200)</b>	<b>(429,829)</b>	<b>(404,570)</b>	<b>(11,110,752)</b>	-	<b>(11,963,352)</b>
Depreciation	(5,289)	23,335	(78,423)	(654,193)	-	(714,570)
Disposals	-	28,058	66,028	10,580,331	-	10,674,417
<b>Accumulated depreciation and impairment as at 31.12.2020</b>	<b>(23,489)</b>	<b>(378,436)</b>	<b>(416,965)</b>	<b>(1,184,614)</b>	-	<b>(2,003,504)</b>

The fixtures and fittings reported by the Authority encompass, inter alia, the cost of returning the offices to their original state at the termination of the lease as requested by the contract. In this case, the estimated re-instatement cost booked as a fixed asset for the premises adds up to EUR 1 199 405.

The fixtures and fittings at the EBA's former venue in London have been disposed on 7 December 2020, when the lease agreement stopped being legally binding to the Authority. The amount disposed amounts to EUR 10 488 969. Given that the assets were fully depreciated by the time the Authority moved to Paris (June 2019), this disposal has meant no impact in the net assets of the Authority in 2020.

## Long-term receivables and recoverables

	2020	2019
Contribution from the Host State	3,425,000	-
<b>Total</b>	<b>3,425,000</b>	<b>-</b>

Due to the Authority's move to Paris, the French government agreed to provide a contribution of EUR 8.5 million to the EBA – this contribution is comprised of EUR 1.5 million for development costs, which the EBA has put towards the cost of fitting out the Paris offices, and EUR 7 million for rent and building charges over the nine-year period of the Authority's lease in Paris. At the end of 2020, the Authority had already received EUR 4.5 million, consisting of the EUR 1.5 million to cover for fit-out costs and EUR 3 million to cover for rental related charges.

As at 31 December 2020, the EBA has therefore an open receivable amounting EUR 4 million, out of which EUR 575,000 will be received in 2021 and EUR 3,425,000 from 2022 till 2027.

## 2. Current assets

### Current receivables

	2020	2019
Contribution from the Host State	575,000	-
VAT recoverable	1,347,616	797,147
Other receivables from Member States	147,008	382,556
<b>Total</b>	<b>2,069,625</b>	<b>1,179,703</b>

The recoverable VAT relates to payments to suppliers made during the year 2020 and still to be refunded by the UK (EUR 536 978) and French authorities. Other receivables from the Member States include outstanding contributions from NCAs at the reporting date.

For further information on the Contribution from the Host State, please refer to "Long-term receivables and recoverables (Note II.1.c).

### Sundry receivables

	2020	2019
Amounts to be regularised from staff	97,737	160,344
Amounts to recover from EU institutions	-	1
Liaison bank account with the EC	4,300,276	-
Other amounts to recover	13,169	67,114
<b>Total</b>	<b>4,411,182</b>	<b>227,459</b>

## Deferred charges and accrued income

	2020	2019
Deferred charges – rent expenses	1,184,616	524,454
Other deferred charges	405,907	647,263
Accrued income	-	3,420
<b>Total</b>	<b>1,590,522</b>	<b>1,175,137</b>

Other deferred charges relate mainly to building charges and operational expenses.

## Cash and cash equivalents

	2020	2019
Citigroup (GBP account)	-	396,460
ING Belgium (EUR account)	2,574	6,570,325
<b>Total</b>	<b>2,574</b>	<b>6,966,785</b>

Since September 2020, the EBA is using the central treasury services provided by the European Commission. Consequently, the cash available to the Authority is now disclosed as a sundry receivable. The remaining funds at the ING bank account correspond to the balance of the imprest account.

### 3. Provisions for risks and charges

	2019	Variations	2020	Thereof	
				Non-current	Current
London – Repayment of the rent-free period	3,325,447	(3,325,447)	-	-	-
London – Onerous rental costs	3,381,087	(3,381,087)	-	-	-
London – Re-instatement costs of the offices	3,406,989	(3,406,989)	-	-	-
Cost related to the move to the new seat	2,148,718	(634,681)	1,514,037	-	1,514,037
Paris – Re-instatement cost of the offices	1,198,402	1,003	1,199,405	1,199,405	-
<b>Total</b>	<b>13,460,642</b>	<b>(10,747,200)</b>	<b>2,713,442</b>	<b>1,199,405</b>	<b>1,514,037</b>

The variations in the estimations of the provisions above can be further split as follows:

	Additions	Elapsed	Reversed	Other	Total
London – Repayment of the rent-free period	-	(3,090,769)	(56,278)	(178,399)	<b>(3,325,447)</b>
London – Onerous rental costs	91,615	(3,270,019)	(21,299)	(181,384)	<b>(3,381,087)</b>
London – Re-instatement costs of the offices	-	(2,440,086)	(896,977)	(69,926)	<b>(3,406,989)</b>
Cost related to the move to the new seat	204,355	(519,275)	(319,761)	-	<b>(634,681)</b>
Paris – Re-instatement cost of the offices	2,518	-	(1,515)	-	<b>1,003</b>
<b>Total</b>	<b>298,488</b>	<b>(9,320,150)</b>	<b>(1,295,829)</b>	<b>(429,710)</b>	<b>(10,747,200)</b>

Based on the 12-year tenure of the contract in London, the Authority was able to negotiate a rent free period of 32 months which was drawn down in full at the beginning of the contract, whereby the related amount was partially used (25 months) to finance the fit out works of the offices and partially (7 months) to occupy the offices without paying rent.

The lease agreement provided for the option to break the contract at half way through the term of the lease, thus significantly reducing the potential cost associated with the removal. Because of the obligation to move to its new offices in Paris (see Note I.2 – Basis of preparation) as per the General

Affairs Council of the European Union of 20 November 2017, the Authority officially decided to exercise the aforementioned option on 11 March 2020. The lease contract provided that, in such a case, the EBA had the obligation to repay half of the incentive (16 months of rent) it had received at the beginning of the contract, and which was based on the full 12 years term of the contract (32 month rent free). It also established that the Authority was bound pay all rents and service charges until the break became effective.

In line with IPSAS 19, the part of the rental payments beyond the expected date of the physical move (31 May 2019), for which the Authority will not receive benefits, was recognised as a liability.

In line with the commercial lease terms, the contract for the premises in London included the obligation for the EBA to return the offices to their original condition.

The related provision as at 31 December 2019 was based on the average of two valuations by professional experts valued at the exchange rate at the closing date taking into account inflation at 2 % and discount rate impact at 3.5 % (HM Treasury guidance – The Green Book).

The EBA managed to close definitely its premises in the UK on 7 December 2020 complying with all required legal obligations. Consequently, the share of the provisions active in the books not used at the reporting date have been reversed against revenue.

The cost related to the move encompasses the removal of the personnel of the Authority and their families from London to Paris in accordance with the Staff Regulations, as well of the move of IT equipment, which elapsed in full in the course of 2019. Staff were expected to move and claim back the relevant costs and allowances within a year from the Authority's cessation to operate in London. However, due to the measures taken by many EU Member States in response to the COVID-19 pandemic, which significantly impacted citizens' mobility, the Appointing Authority decided to extend such deadline sine die in line with the recommendations from the European Commission.

In accordance with the lease agreement in force for the EBA premises in Paris, the Authority is due to re-instate the offices to their original condition by reimbursing the landlord at the end of the lease term. Such a payment will consist on a flat rate per square metre, indexed in line with the *Index des loyers des activités tertiaires* (ILAT).



#### 4. Deferred revenue

Description	2019	Additions	Reversed	2020	Thereof non-current	
					2020	2019
Paris – Landlord contribution to fit-out costs	1,548,960	-	(185,814)	1,363,146	1,177,839	1,363,146
Paris – Landlord capital sum	229,727	-	(27,558)	202,169	174,686	202,169
Paris – Rent free period	1,480,755	965,430	(296,507)	2,149,677	1,853,170	1,184,247
Paris – French contribution to rental costs	2,018,196	4,500,000	(799,466)	5,718,731	4,941,428	-
<b>Total</b>	<b>5,277,638</b>	<b>5,465,430</b>	<b>(1,309,345)</b>	<b>9,433,722</b>	<b>8,147,122</b>	<b>2,749,562</b>

The lease agreement for the premises in Paris provided for a landlord contribution equivalent to the rental value of roughly 21 months (EUR 4 552 240). This contribution was due to cover for fit-out costs (EUR 1 916 271) and to benefit of a rent free period worth EUR 2 636 682. Out of this amount, EUR 1 668 775 qualified for capitalisation, whereas the remainder has been categorised as capital sum (EUR 247 496).

The deferred income recognised via the rent free period and the capital sum incentives are reversed evenly over the duration of the lease.

The totality of the rent free period contribution has been utilised by the reporting date. The reversal of the recognised deferred revenue against rent expenses amounts EUR 296 507 at the end of 2020.

In June 2018, the French Government confirmed its support to the relocation process of the Authority to Paris. The agreement included a EUR 1.5 million contribution to cover for the cost of fitting-out the new premises, used in full by the date the Authority took office in France, and an extra EUR 7 million to pay for rental expenses, out of which EUR 500,000 were received in 2020 and EUR 4 million are outstanding as receivables at the reporting date. The total contribution is reversed against rental expenses evenly over the duration of the lease (9 years) in accordance with the matching principle and IPSAS 23.

## 5. Current liabilities

### Current payables

	2020	2019
Payables to suppliers	994,922	227,322
Accrued charges – untaken annual leave	982,642	721,843
Accrued charges – other	1,683,822	2,034,698
<b>Total</b>	<b>3,661,387</b>	<b>2,983,862</b>

Other accrued charges correspond to invoices to be received as at 31 December 2020 for services rendered in 2020, mainly for IT operational services.

### Sundry payables

	2020	2019
Sundry payables	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

### Payables towards EU entities

	2020	2019
European Commission balancing subsidy	858,651	1,027,082
Other payables towards EU entities	-	3,946
<b>Total</b>	<b>858,651</b>	<b>1,031,028</b>

The contribution to repay to the European Commission corresponds to the budgetary result for the financial year 2020, which was determined on a modified cash basis. The detailed calculation is presented in the budget result (see section “Budget implementation reports”).

In 2020, the EBA was financed by Union funds (EUR 17 660 140) and contributions from Member States and EFTA countries (EUR 29 055 682). According to Articles 16.5 and 17.1 of the EBA Financial Regulation, the Union contribution paid to the Authority constitutes 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. In 2022, and in accordance to the agreements reached between the EBA and the European Commission, should those still remain applicable, the Authority will recover the 60% of this budget result, which will be deducted from the Member States’ and EFTA countries’ contribution 2022.

### III. Statement of financial performance

In 2020, the Authority has closed the year with an economic surplus of EUR 7 631 119. The amount is mainly due to the following reasons:

- ⇒ The reversal of the provisions open in the EBA books at the start of the reporting period has resulted in a recognition of revenue, given that the actual GBP/EUR exchange rate at the date of the payments was more beneficial to the Authority than previously accounted for and to that the amounts due have been lower than originally calculated as a consequence of the deals reached between the Authority and the landlord in London;
- ⇒ In 2020, all rent related payments for the London premises, as well as the amount due for the return of the incentive and the re-instatement of the venue have been offset with the provisions existing in the balance sheet at the start of the reporting period;

#### 1. Operating revenue

The Authority's 2020 revenue comes from the following sources:

	2020	2019
Contribution from EU Member States	28,103,650	26,096,889
Contribution from EFTA Countries	798,399	741,388
EU Balancing Subsidy	16,955,123	17,461,535
Contribution from the Host State	-	1,981,804
Foreign currency conversion gains	745,429	204,041
Other administrative revenue	1,294,795	24,836
	<b>47,897,396</b>	<b>46,510,493</b>

The 2020 budgeted contributions from National Competent Authorities amounted to EUR 29 055 682.

The contribution actually paid in 2020 by the Directorate-General for Financial Stability, Financial Services and Capital Market Union amounted to EUR 17 813 773 including the re-imbursment of the Member States' and Observers' share in the 2018 Budgetary surplus (EUR 153 633).

In accordance with Article 17.1 of the EBA Financial Regulation, the unused part of this contribution, which corresponds to EUR 858 650 in the 2020 budget result, has to be reimbursed to the European Commission. The difference of EUR 16 955 123 is recognised as operating revenue.

Other administrative revenue includes EUR 1 294 315 stemming from the unused part of the provisions for risks and charges open in the books at the start of the reporting period (see section II.3).

## 2. Operating expenses

The implementation of the accounting quality programme has involved a revision of the usage of the operating expenses headings available in the EU Chart of Accounts (Plan des Comptes de l'Union Européenne). This review aimed at aligning the categorisation of expenses at the EBA with the guidance provided by the Accounting Officer of the European Commission. The exercise has resulted in material variances between the treatment of expenditure in 2020 and in previous periods. The amendments do however have no impact in the Authority's net assets, but only in the structure and presentation of the incurred expenses.

The structure and presentation of operating expenses has been adjusted to the requirements of the EU Chart of Accounts. This is reflected mainly in:

- ⇒ Allowances paid to Seconded National Experts are no longer categorised under "Experts and related expenditure" but under "Staff expenses";
- ⇒ Expenses incurred in relation to the maintenance of the EBA website services are no longer part of "IT support costs" but are now included under "Communications and legal expenses";
- ⇒ All expenses incurred using the funds of Title III of the Authority's budget are now categorised as "Operating expenses";

### Staff expenses

	2020	2019
Salaries and related allowances	25,774,238	26,121,285
Social contributions	762,362	830,322
Staff perquisites	557,479	259,777
	<b>27,094,079</b>	<b>27,211,384</b>

The 2017 figures included the first recognition of the provision related to the relocation of the staff to France. This results in a decrease in the 2020 figures in an amount of EUR 319 761.

### Building and related expenses

	2020	2019
Rent	1,787,756	1,568,369
Rent related expenses	879,540	1,581,274
	<b>2,667,296</b>	<b>3,149,643</b>

The 2018 figures included the recognition of the provisions for onerous rental costs, re-payment of the 16-month incentive and the re-instatement cost for the premises in London. In 2020, these costs were offset by the full reversal of the existing provisions at the start of the period (EUR 8 800 874).

Building related expenses are as well impacted by the reversal of the yearly share of the contribution from the Host State (EUR 799,466) and the reversal of the deferred income recognised as a result of the rent free period incentive (EUR 296,507) and the capital sum.

### Other expenses

	2020	2019
Office supplies	206,540	160,867
Communications and Legal	320,261	400,395
Recruitment	24,280	60,373
Training	201,855	202,239
Travel	9,137	156,696
Experts and related expenditure	298,065	71,064
IT support costs	3,152,237	1,962,328
Other services	800,293	836,424
Operational activities	3,121,183	5,330,715
	<b>8,133,850</b>	<b>9,181,101</b>

Project costs for their part not capitalised amount to EUR 1 472 064. Cost incurred for other projects which do not meet the requirements for capitalisation amounts to EUR 1 068 102.

Operational activities include IT expenses corresponding essentially to IT Infrastructure costs, licence maintenance and consultancy working on the various IT projects for their part not capitalised.

### Fixed asset related expenses

	2020	2019
Depreciation of tangible fixed assets	580,947	1,900,888
Depreciation of intangible fixed assets	1,191,860	1,043,485
Amortisation of the offices re-instatement cost for London/Paris	133,623	777,969
Amounts written-off	326	156,037
	<b>1,906,756</b>	<b>3,878,378</b>

In 2019, the fixed asset related expenses were still impacted by the accelerated depreciation of the London fit-outs, which then amounted to EUR 1 346 017. The same is applicable for the category comprising the amortisation of the dilapidation costs for the Authority's venues (the amortisation of the London re-instatement costs amounted in 2019 up to EUR 691 926). This has considerably reduced the expenses recognised in 2020.

### 3. Non-operating result

	2020	2019
<b>NON-OPERATING REVENUE</b>		
Bank interest received	1,352	9,177
Other financial income	-	3,420
	<b>1,352</b>	<b>12,597</b>
<b>NON-OPERATING EXPENSES</b>		
Bank charges	39,672	2,503
Unwinding of the discount related to the re-instatement provision for London	119,245	109,580
	<b>158,917.02</b>	<b>112,082</b>
<b>TOTAL NON-OPERATING ACTIVITIES (NET)</b>	<b>(157,565)</b>	<b>(99,486)</b>

From January 2020, the EBA banking services were no longer covered by the Framework Contract BUDG14/PO/03, which provided that interest rates could not be charged at a lower amount than 0 basic points. This has resulted in higher bank charges and lower bank interests reported for the period.

## IV. Other significant disclosures

### 1. Contingent liabilities

Contingent liabilities include the part of the outstanding budgetary commitments which have not yet been recognised as expenses as at 31 December 2020.

	2020	2019
Budgetary commitments carried forward to 2021	4,130,831.26	5,181,071
(Less) Expenses already recognised in 2020	(1,712,367)	(1,734,152)
	<b>2,418,465</b>	<b>3,446,919</b>

### 2. Events after the reporting date

At the date on which the accounts are authorised, 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.

### 3. Operating lease commitments

Following an open competitive selection procedure, the Authority signed a 9-year office lease agreement for the new offices in Paris that entered into force on 10 May 2019, with a break clause that can be exercised after the completion of the 6<sup>th</sup> year of the lease.

The commercial terms of the agreement included a negotiated contribution from the landlord of EUR 4 552 240 in an amendment to the contract signed on 31 October 2018. Out of this contribution, EUR 1 916 271 elapsed in order to cover for fit-out costs, and the remainder of EUR 2 636 682 has been drawn up in the form of a rent-free period (see Note II.4). Should the Authority exercise the early break clause, the EBA would be liable for paying the landlord a flat-rate supplement corresponding to a sum equivalent to the marketing advantages.

In accordance with the lease agreement, and in substitution of a security deposit, the Authority gave the Landlord a bank guarantee equivalent to three months' rent.

The future contractual payments are scheduled as follows:

<i>Tour Europlaza (Paris)</i>	<1 year	2-5 years	>5 years	Total
Rent	2,601,280	11,359,878	-	<b>13,961,158</b>
Building charges and taxes	749,472	2,513,299	-	<b>3,262,771</b>
Other equipment	-	1,916,271	-	<b>1,916,271</b>
Bank guarantee (commission)	1,319	4,426	-	<b>5,744</b>
	<b>3,352,071</b>	<b>15,793,874</b>	-	<b>19,145,945</b>

#### 4. Related party disclosures

<i>Highest grades description</i>	Grade
Chair Person	AD 15
Executive Director	AD 14

The remuneration equivalent to the grades of the key management personnel in the table can be found in the Official Journal of the European Union, 2020/C 428/10-13 of 11 December 2020.



## V. Financial risk management

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

The carrying amounts of financial instruments are as follows:

	2020	2019
<b>FINANCIAL ASSETS</b>		
Long term receivables	3,425,000	-
Current receivables	2,069,625	1,179,903
Sundry receivables	4,411,182	227,458
Cash and cash equivalents	2,574	6,966,785
	<b>9,908,381</b>	<b>8,373,947</b>
<b>FINANCIAL LIABILITIES</b>		
Current payables	3,661,387	227,322
Sundry payables	-	-
Payables towards EU entities	858,651	1,031,028
	<b>4,520,037</b>	<b>1,258,349</b>
<b>TOTAL NET FINANCIAL INSTRUMENTS</b>	<b>5,388,343</b>	<b>7,115,598</b>

### 1. Liquidity risk

Liquidity risk arises from the ongoing financial obligations, including settlement of payables. The Authority manages liquidity risk by continually monitoring forecasted and actual cashflows. 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:

<i>As at 31.12.2020</i>	On demand	<1 year	1-2 years	>2 years	Total
Long term receivables	-	-	1,150,000	2,275,000	3,425,000
Current receivables	-	2,069,625	-	-	2,069,625
Sundry receivables	4,300,276	110,905	-	-	4,411,182
Cash and cash equivalents	2,574	-	-	-	2,574
<b>Total financial assets (A)</b>	<b>4,302,851</b>	<b>2,180,530</b>	<b>1,150,000</b>	<b>2,275,000</b>	<b>9,908,381</b>
Payables	-	2,508,959	-	1,199,405	3,708,364
Sundry payables	-	-	-	-	-
Payables to EU entities	-	858,651	-	-	858,651
<b>Total financial liabilities (B)</b>	<b>-</b>	<b>3,367,610</b>	<b>-</b>	<b>1,199,405</b>	<b>4,567,015</b>
<b>CUMULATIVE LIQUIDITY GAP (A)-(B)</b>	<b>4,302,851</b>	<b>3,115,771</b>	<b>4,625,771</b>	<b>5,341,366</b>	<b>5,341,366</b>

## 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 the EC since September 2020. The EBA recovers contributions from national supervisory authorities and the European Commission two or more times per 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. Following the externalisation of the treasury to the EC, the counterparty risk to which the EBA is exposed is minimized.

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

<i>As at 31.12.2020</i>	2020	2019
Long term receivables	3,425,000	-
Current receivables	1,494,625	1,179,703
Other receivables	4,411,182	227,458
Cash in banks	2,574	6,966,785
	<b>9,908,381</b>	<b>8,373,947</b>

The Authority's open receivables are mainly issued against sovereign entities.

### 3. Market risk

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

#### Interest rate risk

The EBA does not borrow any money and has its treasury services externalised to the EC. As a result, it is not exposed to interest rate risk.

#### 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 a significant share of transactions in GBP.

The following table is a summary of the EBA's net foreign currency-denominated monetary assets and liabilities:

<i>As at 31.12.2019</i>	GBP EUR equivalent	EUR	Other EUR equivalent	Total (EUR)
Receivables from Member States	277,512	5,217,113	-	5,494,625
Other receivables	-	1,688,259	-	1,688,259
Receivables from other EU entities	-	4,300,276	-	4,300,276
Cash and cash equivalents	-	2,574	-	2,574
<b>Total monetary assets (C)</b>	<b>277,512</b>	<b>11,208,222</b>	-	<b>11,485,735</b>
Payables to third parties	3,832	991,090	-	994,922
Payables to other EU entities	-	858,651	-	858,651
<b>Total monetary liabilities (D)</b>	<b>3,832</b>	<b>1,849,741</b>	-	<b>1,853,573</b>
<b>NET POSITION (C)-(D)</b>	<b>273,680</b>	<b>9,358,482</b>	-	<b>9,632,162</b>

If the GBP were to increase by 10%, the net asset position would be negatively impacted by approximately EUR 27 368.

# Budget implementation reports

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## I. Budget principles, structure and implementation

### 1. Budgetary principles

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.

## 2. Types of appropriations

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

## 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 staff, training, staff perquisites and administrative mission costs are incorporated also under Title I.

Title II budget lines relate to all buildings, equipment, IT and other miscellaneous 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 sub-divided into the main activities performed in each area such as organisation of meetings, training, coordination missions, supervisory activities, etc.

## II. Budget result for the financial year

	2020	2019
<b>REVENUE</b>		
European Commission balancing subsidy	17,660,140	17,394,600
Recovery of the N-2 surplus	153,633	1,094,017
Contribution from the Member States	28,315,961	25,737,569
Contribution from the EFTA countries	798,399	741,388
Contribution from the Host State	500,000	2,500,000
Bank interests	1,352	8,974
Other income	79,184	6,851
<b>TOTAL REVENUE</b>	<b>47,508,670</b>	<b>47,483,399</b>
<b>EXPENDITURE</b>		
<i>Title I: Staff</i>		
Payments	27,652,363	30,655,575
Appropriations carried over	472,842	818,656
<i>Title II: Administrative expenses</i>		
Payments	14,457,546	5,965,432
Appropriations carried over	1,988,129	3,762,006
<i>Title III: Operating expenditure</i>		
Payments	2,447,967	2,976,681
Appropriations carried over	1,715,902	2,423,541
<b>TOTAL EXPENDITURE</b>	<b>48,734,748</b>	<b>46,601,891</b>
<b>RESULT FOR THE FINANCIAL YEAR</b>	<b>(1,226,078)</b>	<b>881,508</b>
Cancellation of unused appropriations carried over from previous years	360,807	160,525
Adjustment for carry-over of appropriations arising from assigned revenue	1,834,177	-
Exchange differences for the year	(110,256)	(14,951)
<b>BALANCE OF THE RESULT ACCOUNT</b>	<b>858,650</b>	<b>1,027,082</b>

### III. Reconciliation between the budget result and the economic result

	2020	2019
<b>ECONOMIC OUTTURN</b>	<b>7,631,119</b>	<b>2,277,099</b>
<b>ADJUSTMENT FOR ACCRUAL ITEMS</b>		
Adjustment for accrual cut-off N-1	(1,831,148)	(1,078,060)
Adjustment for accrual cut-off N	680,323	(2,728,760)
Unpaid invoices at year end but booked in charges	258,372	(65,197)
Depreciation and amortisation	1,906,756	3,878,378
Provisions	(10,747,201)	(1,102,151)
Recovery orders booked in revenue not yet cashed	(147,488)	(382,957)
Pre-financing given in previous years and cleared in N	-	81,631
Pre-financing received in previous years and cleared in N	-	(1,500,000)
Payments made from carry-over of N-1 appropriations	4,809,219	6,286,232
Other	66,993	-
<b>ADJUSTMENT FOR BUDGETARY ITEMS</b>		
Asset acquisitions (less unpaid amounts)	(1,487,779)	(840,735)
Pre-financing paid in N and open at 31.12.N	(13,169)	-
Pre-financing received in N and open at 31.12.N	858,650	3,045,279
Recovery orders issued before N and cashed in N	359,320	-
Cashed recovery orders issued against balance sheet items	496,571	-
Payment appropriations carried over to N+1	(4,176,872)	(7,004,203)
Cancellation of unused n-1 appropriations	360,807	160,525
Adjustment for carry-over of assigned revenue from N-1	1,834,177	-
<b>BUDGET RESULT</b>	<b>858,650</b>	<b>1,027,082</b>



## IV. Budgetary transfers

Budgetary expenditure 2020	Initial appropriations	Amending budget	Transfers	Final appropriations
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D = A + B + C</i>
<b>Title 1 Staff expenditure</b>	<b>29 647 145</b>	<b>-1 550 500</b>	<b>-</b>	<b>28 096 645</b>
Salaries & allowances	25 368 528	- 719 500	108 967	24 757 995
Expenditure relating to Staff recruitment	834 576	- 383 000	- 64 134	387 442
Employer's pension contributions	1 882 934	- 70 025	31 325	1 844 234
Mission expenses	85 866	- 67 000	-	18 866
Socio-medical infrastructure	994 438	- 231 975	- 32 973	729 490
Training	407 173	- 7 000	- 56 005	344 168
External Services	-	-	-	-
Receptions and events	73 630	- 72 000	12 820	14 450
<b>Title 2 Infrastructure and operating expenditure</b>	<b>13 573 768</b>	<b>- 228 000</b>	<b>853 656</b>	<b>14 199 424</b>
Rental of buildings and associated costs	9 412 676	- 150 000	- 40 963	9 221 713
Information and communication technology	3 040 165	- 24 000	721 085	3 737 250
Movable property and associated costs	-	-	-	-
Current administrative expenditure	538 952	- 15 000	121	524 073
Postage / Telecommunications	84 000	- 18 000	115 655	181 655
Meeting expenses	497 975	- 21 000	57 758	534 733
Running costs - operational activities	-	-	-	-
Information and publishing	-	-	-	-
Studies	-	-	-	-
<b>Title 3 Operational expenditure</b>	<b>7 160 909</b>	<b>-1 887 500</b>	<b>- 853 656</b>	<b>4 419 753</b>
General operational expenditure	3 284 690	-1 310 500	- 23 336	1 950 854
IT expenditure for operational purposes	3 876 219	- 577 000	- 830 320	2 468 899
<b>TOTAL</b>	<b>50 381 822</b>	<b>-3 666 000</b>	<b>-</b>	<b>46 715 822</b>

The initial budget for the year was EUR 50 381 822. In November 2020, the BoS adopted an amending budget that reduced the EBA's total budget by EUR 3 666 000 to the amount of EUR 46 715 822. The amending budget was driven by the impact of the COVID-19 pandemic, plus a negligible reduction in funding for Sustainable Finance.

## V. Budgetary execution

### 1. Budgetary execution of the 2020 funds

#### Budgetary execution in 2020 C1

	Adopted Budget	Committed	% commit.	Payments	% paid	Carry forward	% CF
I: Staff Related	28 096 645	28 078 383	100%	27 606 018	98%	472 365	2%
II: Administrative	14 199 424	14 084 250	99%	12 158 797	86%	1 925 453	14%
III: Operational	4 419 753	4 163 869	94%	2 447 967	59%	1 715 902	41%
<b>Grand Total</b>	<b>46 715 822</b>	<b>46 326 502</b>	<b>99.2%</b>	<b>42 212 782</b>	<b>91%</b>	<b>4 113 720</b>	<b>9%</b>

After taking into account the amending budget and budget transfers across all titles, the EBA achieved a budget execution of 99.2% in 2020 on a final adopted budget of EUR 46 715 822. This results in a draft budgetary surplus of EUR 858 650, taking account of the exchange differences and miscellaneous revenue.

#### External assigned revenue

	French Contribution	Committed	% commit.	Payments	% paid
B2020-A02000-R0-Rent of building	1 668 000	1 667 957	100%	1 667 957	100%
B2020-A02020-R0-Utilities	385 144	371 986	97%	365 030	98%
B2020-A02040-R0-Taxes	275 918	275 918	100%	265 762	96%
<b>Grand Total</b>	<b>2 329 062</b>	<b>2 315 861</b>	<b>99%</b>	<b>2 234 635</b>	<b>99.26%</b>

In accordance with the schedule of contributions agreed between the EBA and the French government, the latter made a payment of EUR 500 000 to the EBA in January 2020, adding to the remaining balance from the previous year. These funds have been used to pay for rent, building charges and taxes on the Europlaza building: 99.5% of the funds received were used in 2020. Similar to previous years, the balance of R0 appropriations will be carried forward to R0 funds source until the R0 credits are fully consumed.

The detailed budget implementation in 2020 (C1) by chapter is as follows:

Chapter	Budget	Total commitments		Total payments		Carry forward	
	A	B	C = B/A	D	E = D/B	F	G = F/B
<b>Title 1 Staff expenditure</b>	<b>28 096 645</b>	<b>28 078 383</b>	<b>100%</b>	<b>27 606 018</b>	<b>98%</b>	<b>472 365</b>	<b>2%</b>
11 Salaries & allowances	24 757 995	24 757 979	100%	24 756 187	100%	1 792	0%
12 Expenditure relating to Staff recruitment	387 442	385 072	99%	383 918	100%	1 154	0%
11.33 Employer's pension contributions	1 844 234	1 844 233	100%	1 844 233	100%	-	0%
13 Mission expenses	18 866	15 617	83%	15 579	100%	38	0%
14 Socio-medical infrastructure	729 490	719 568	99%	404 817	56%	314 751	44%
15 Training	344 168	341 469	99%	186 839	55%	154 630	45%
16 External Services	-	-	-	-	-	-	-
17 Receptions and events	14 450	14 445	100%	14 445	100%	-	0%
<b>Title 2 Infrastructure and operating expenditure</b>	<b>14 199 424</b>	<b>14 084 250</b>	<b>99%</b>	<b>12 158 797</b>	<b>86%</b>	<b>1 925 453</b>	<b>14%</b>
20 Rental of buildings and associated costs	9 221 713	9 192 338	100%	9 114 079	99%	78 259	1%
21 Information and communication technology	3 737 250	3 655 758	98%	2 163 660	59%	1 492 098	41%
22 Movable property and associated costs	-	-	-	-	-	-	-
23 Current administrative expenditure	524 073	522 311	100%	404 713	77%	117 599	23%
24 Postage / Telecommunications	181 655	181 300	100%	156 840	87%	24 459	13%
25 Meeting expenses	534 733	532 542	100%	319 504	60%	213 038	40%
26 Running costs in connection with operational activities	-	-	-	-	-	-	-
27 Information and publishing	-	-	-	-	-	-	-
28 Studies	-	-	-	-	-	-	-
<b>Title 3 Operational expenditure</b>	<b>4 419 753</b>	<b>4 163 869</b>	<b>94%</b>	<b>2 447 967</b>	<b>59%</b>	<b>1 715 902</b>	<b>41%</b>
31 General operational expenditure	1 950 854	1 749 819	90%	1 152 609	66%	597 210	34%
32 IT expenditure for operational purposes	2 468 899	2 414 050	98%	1 295 358	54%	1 118 691	46%
<b>Grand Total</b>	<b>46 715 822</b>	<b>46 326 501</b>	<b>99.2%</b>	<b>42 212 782</b>	<b>91%</b>	<b>4 113 719</b>	<b>9%</b>

## 2. Budgetary execution of the 2019 funds carried-forward to 2020

	Carry forward <i>A</i>	Paid <i>B</i>	Paid % $C = B / A$	Cancellation $D = B - A$
I: Staff Related	817 622	708 818	-87%	108 805
II: Administrative	1 928 864	1 791 740	-93%	137 123
III: Operational	2 423 540	2 308 661	-95%	114 879
<b>Grand Total</b>	<b>5 170 026</b>	<b>4 809 219</b>	<b>-93%</b>	<b>360 807</b>

Execution of the appropriations carried forward from 2019 was 93%. We consider that 54% of the de-commitment amount was due to events outside the control of the EBA.

## 3. Carry-forward to 2021

The value of carry forward to the next year of 9% is lower than the carry forward from 2019 to 2020. The carry forward percentage of 41% on Title 3 results from a variety of factors, most importantly the timing of license renewals and quarterly invoicing by some significant suppliers. It is worth noting that we are carrying forward just 95 commitments, compared to 149 last year.

The table below shows the movement in carry forward percentages compared to the previous year:

Title	2020 <i>A</i>	2019 <i>B</i>	Movement $C = A - B$
I: Staff-related	2%	3%	-1%
II: Administrative	14%	27%	-13%
III: Operational	41%	45%	-4%
<b>TOTAL</b>	<b>9%</b>	<b>12%</b>	<b>-3%</b>

# Financial systems and management

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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. The ABAC system is the property of and is regularly validated by the Accounting Officer of the European Commission.

In March 2018, the financial systems of the EBA were validated by the Accounting Officer in compliance with Article 49(e) of the EBA Financial Regulation on the basis of work carried out by an independent accounting firm.

A full physical check of all IT items and all furniture items was performed in September-December 2019. The fixed asset control exercise planned for 2020 has been suspended sine die due to the COVID-19 measures affecting the availability of the Authority's premises.