EUROPEAN BANKING AUTHORITY

2015

ANNUAL ACCOUNTS

CERTIFICATION LETTER FROM THE EBA ACCOUNTING OFFICER

The Annual Accounts of the European Banking Authority for the year 2015 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 24/05/2016.

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, Financial Innovation and Payments). 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	31.12.2015	31.12.2014
NON-CURRENT ASSETS			
Intangible fixed assets	3.2.1		
Computer software		2,438,494	2,449,337
Tangible fixed assets	3.2.2		
Computer hardware		226,347	340,447
Furniture		493,067	552,547
Other fixture and fittings		8,364,719	9,267,001
Total		**11,522,627**	**12,609,332**
CURRENT ASSETS			
Current receivables	3.3.1	1,441,358	1,126,393
Sundry receivables	3.3.2	2,992	54,502
Prepaid expenses	3.3.3	663,765	141,003
Cash and cash equivalents	3.3.4	2,393,929	5,051,159
Total		**4,502,044**	**6,373,056**
TOTAL ASSETS		**16,024,671**	**18,982,388**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provision for risks and charges	3.4	1,579,348	1,579,348
Deferred revenue	3.5	5,418,376	5,948,366
Total		**6,997,724**	**7,527,714**
CURRENT LIABILITIES			
Current payables	3.6	3,078,826	3,651,712
Sundry payables	3.7	-	795,298
EU entities	3.8	381,239	284,253
Deferred revenue		545,658	545,658
Total		**4,005,723**	**5,276,921**
TOTAL LIABILITIES		**11,003,447**	**12,804,636**
NET ASSETS			
Accumulated surplus/(deficit)		6,177,752	3,550,937
Economic outturn for the year - profit/(loss)		(1,156,528)	2,626,815
TOTAL NET ASSETS		**5,021,224**	**6,177,752**

2.2 Statements of financial performance

	Note	2015	2014
OPERATING REVENUE	**3.9**		
Contribution from the Member States		17,392,368	18,960,232
Contribution from EFTA countries		493,804	539,649
EU Subsidy		15,152,079	13,815,729
Foreign currency conversion gains		685,939	358,630
Other administrative revenue		180,075	26,169
TOTAL OPERATING REVENUE		**33,904,265**	**33,700,409**
OPERATING EXPENSES	**3.10**		
Staff expenses	3.10.1	20,275,949	15,173,827
Building and related expenses	3.10.2	3,360,161	2,755,848
Other expenses	3.10.3	8,692,396	10,532,157
Depreciation and amortization	3.10.4	1,953,528	2,025,564
Foreign currency conversion losses		830,866	445,526
TOTAL OPERATING EXPENSES		**35,112,900**	**30,932,922**
SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES		**(1,208,635)**	**2,767,487**
NON OPERATING REVENUES (EXPENSES)	**3.11**		
Financial revenue		14,103	22,037
Financial expenses		38,004	(162,709)
SURPLUS/ (DEFICIT) FROM NON OPERATING ACTIVITIES		**52,107**	**(140,672)**
SURPLUS/ (DEFICIT) FROM ORDINARY ACTIVITIES		**(1,156,528)**	**2,626,815**
SURPLUS/ (DEFICIT) FROM EXTRAORDINARY ITEMS		**-**	**-**
ECONOMIC RESULT FOR THE YEAR		**(1,156,528)**	**2,626,815**

2.3 Cash flow statements

	2015	2014
CASH FLOW FROM ORDINARY ACTIVITIES		
Surplus /(deficit) from ordinary activities	**(1,156,528)**	**2,626,815**
Operating activities		
Depreciation/amortisation of tangible/intangible fixed assets	1,962,565	1,930,094
Increase/(decrease) in provisions for risks and liabilities	-	(1,692,631)
(Increase)/decrease in short term receivables	(786,218)	833,360
Increase/ (decrease) in accounts payable	(1,368,184)	2,255,603
Increase/ (decrease) in liabilities related to consolidated EU Entities	96,986	(3,347,100)
Increase/(decrease) in deferred income	(529,990)	-
Net cash flow from operating activities	**(1,781,369)**	**2,606,141**
CASH FLOW FROM INVESTING ACTIVITIES		
(Increase)/decrease in tangible and intangible fixed assets	(875,861)	(3,646,322)
Net cash flow from investing activities	**(875,861)**	**(3,646,322)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,657,230)	(1,040,181)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**5,051,159**	**6,091,340**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**2,393,929**	**5,051,159**

2.4 Statement of changes in net assets

	Accumulated Surplus	Net surplus/(deficit) for the period	Total Net Assets
Balance as of 31 December 2014	6,177,752		6,177,752
Economic result of the year		(1,156,528)	(1,156,528)
Balance as of 31 December 2015	**6,177,752**	**(1,156,528)**	**5,021,224**

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	**2015**	**2014**
Year- end exchange rate	0.7340	0.7789
Average exchange rate	0.7268	0.8074

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%

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 two banks.

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 2015		Computer software	Intangible assets under construction	Total
Gross carrying amounts 01.01.2015	+	2,779,965	255,262	3,035,228
Additions	+	479,303	361,977	841,280
Disposals	-	-	-	-
Transfers between headings	+/-	255,262	(255,262)	-
Other changes		(6,000)	-	(6,000)
Gross carrying amounts 31.12.2015		**3,508,530**	**361,977**	**3,870,507**
Accumulated amortisation and impairment 01.01.2015	-	(585,891)	-	(585,891)
Amortisation	-	(852,122)	-	(852,122)
Other changes		6,000	-	6,000
Accumulated amortisation and impairment 31.12.2015		**(1,432,013)**	**-**	**(1,432,013)**
Net carrying amounts as at 31/12/2015		**2,076,517**	**361,977**	**2,438,494**

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 2015 correspond to four projects:

- The fourth release of the European Supervisory Platform system, ESP4. The related asset was still under construction as at 31/12/2014. The amount capitalized during the year amounts to EUR 313 490.

- The Credit Institutions Register – Notifications project, which was also under construction as at 31/12/2014.The amount capitalized during the year amounts to EUR 135 460.

- The sixth release of the European Supervisory Platform system, ESP 6, which will deliver a series of functional and technical enhancements in March 2016. The cost incurred as at 31/12/2015 amounts to EUR 197 157.

- The first phase of the Electronic Document Management System, to be operational in May 2016. The cost incurred as at 31/12/2015 amounts to EUR 164 820.

3.2.2 Tangible fixed assets

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

Tangible fixed assets 2015		Plant and equipment	Computer hardware	Furniture	Other fixtures and fittings	Total
Gross carrying amounts 01.01.2015	+	16,937	550,226	635,386	9,664,202	10,866,752
Additions	+	-	22,697	6,803	5,082	34,581
Disposals	-	(12,636)	(18,695)	-	(721)	(32,052)
Transfer between headings	(+/-)	13,500	(13,500)	-	-	-
Other changes	(+/-)	(4,301)	(18,387)	(11,842)	(215,164)	(249,693)
Gross carrying amounts 31.12.2015		**13,500**	**522,342**	**630,347**	**9,453,399**	**10,619,588**
						-
Accumulated amortisation and impairment 01.01.2015	-	(3,832)	(209,780)	(82,839)	(410,306)	(706,757)
Depreciation	-	(4,182)	(121,911)	(69,911)	(903,512)	(1,099,517)
Write-back of depreciation	+	3,681	17,309	-	135	21,125
Transfer between headings	(+/-)	-	-	-	-	-
Other changes	(+/-)	673	18,387	15,470	215,164	249,693
Accumulated amortisation and impairment 31.12.2015		**(3,660)**	**(295,995)**	**(137,280)**	**(1,098,520)**	**(1,535,455)**
Net carrying amounts as at 31/12/2015		**9,840**	**226,347**	**493,067**	**8,354,879**	**9,084,133**

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 income (see Note 3.5).

The 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 long-term provision (see Note 3.4).

The fit out works cost is depreciated over 10 years, in accordance with the Authority's accounting policy for other fixtures and fittings.

The cost of returning the offices to their original state at the termination of the lease is depreciated over the lease term, which is 12 years.

3.3 Current assets

3.3.1 Current receivables

Current Receivables	31.12.2015	31.12.2014
Receivables from Member States	-	33,414
VAT recoverable	1,441,358	1,092,979
Total	**1,441,358**	**1,126,393**

The recoverable VAT relates to payments to suppliers made during the year 2015 and still to be refunded by UK Authorities.

3.3.2 Sundry receivables

Sundry receivables	31.12.2015	31.12.2014
Amounts to be regularised from staff	940	17,972
Amounts to recover from other EU institutions	2,052	14,178
Accrued income	-	22,352
Total	**2,992**	**54,502**

3.3.3 Prepaid expenses

	31.12.2015	31.12.2014
Rent expenses	281,974	-
Other prepaid expenses	381,791	141,003
Total	**663,765**	**141,003**

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

3.3.4 Cash and cash equivalents

Cash	31.12.2015	31.12.2014
Citigroup (GBP Account)	1,310,720	2,636,001
ING (EUR Account)	1,083,209	2,415,158
Total	**2,393,929**	**5,051,159**

3.4 Provisions for risks and charges

	31.12.2015	31.12.2014
Re-instatement cost of the offices	1,579,348	1,579,348
Total	**1,579,348**	**1,579,348**

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 Deferred revenue

	Total Deferred revenue as at 31/12/2015			Thereof Non-current portion:	
	Original amount as at 8/12/2014	Amount reversed	Net amount as at 31/12/2015	As at 31.12.2015	As at 31.12.2014
Capital sum received from the Landlord	4,291,684	(380,177)	3,911,508	3,553,867	3,911,508
Landlord contribution to Fit out works cost in Canary Wharf	2,256,212	(203,686)	2,052,526	1,864,509	2,036,858
Total	**6,547,896**	**(583,863)**	**5,964,033**	**5,418,376**	**5,948,366**

The Agreement for lease signed on 14 May 2014 provided for a term of 12 years together with a rent free period of 32 months which could 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.

The Agreement for lease also included a Landlord contribution to fund part of the fit out works cost.

Both capital sum and landlord contribution were initially recorded as deferred revenue and are recognised in the Statement of financial performance over the full term of the lease, 12 years.

3.6 Current payables

Current Payables	31.12.2015	31.12.2014
Payables to suppliers	189,754	1,058,177
Accrued charges-untaken annual leaves	514,120	403,431
Accrued charges-other	2,374,952	2,098,652
Accrued charges-European institutions	-	91,451
Total	**3,078,826**	**3,651,712**

Accrued charges correspond to invoices to be received at 31 December 2015 for services rendered in 2015.

3.7 Sundry payables

	31.12.2015	31.12.2014
Sundry payables	-	795,298
Total	**-**	**795,298**

3.8 Payables to EU entities

	31.12.2015	31.12.2014
Subsidy to reimburse to the European Commission	381,239	284,253
Total	**381,239**	**284,253**

The contribution to repay to the European Commission corresponds to the budgetary result for the financial year 2015 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 surpluses of the years 2011 to 2014, 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.

3.9 Operating revenue

The Authority's 2015 revenue comes from the following sources:

Operating revenue	2015	2014
Contribution from Member States	17,392,368	18,960,232
Contribution from EFTA countries	493,804	539,649
EU Subsidy	15,152,079	13,815,729
Foreign currency conversion gains	685,939	358,630
Other administrative revenue	180,075	26,169
Total	**33,904,265**	**33,700,409**

The 2015 expected budget contributions amounted to EUR 33 419 000 split between the EU (40%) and the Member States and Observers (60%).

The contribution actually paid in 2015 by the Directorate-General for Financial Stability, Financial Services and Capital Market Union amounted to EUR 15 533 318 including the re-imbursement of the Member States' and Observers' share (EUR 2 165 231) in the 2013 Budgetary surplus of EUR 3 608 718.

In accordance with Article 20.1 of the Financial Regulation, the unused part of this contribution, which corresponds to EUR 381 239 in the 2015 Budget result (see note 4.2), has to be reimbursed to the European Commission. The difference of EUR 15 152 079 is recognised as operating revenue.

3.10 Operating expenses

3.10.1 Staff expenses

Staff expenses	2015	2014
Salaries and related allowances	19,894,173	14,873,563
Social contributions	381,776	300,264
Total	**20,275,949**	**15,173,827**

The significant increase in the staff expenses reflects the increase in the average number of staff (+21%) as well as the increase in the average GBP/EUR exchange rate (+11%) from 2014 to 2015.

3.10.2 Building and related expenses

Building and related expenses	2015	2014
Rent	1,888,641	1,526,157
Related expenses	1,471,520	1,229,691
Total	**3,360,161**	**2,755,848**

3.10.3 Other expenses

Other expenses	2015	2014
Office supplies	77,633	293,944
Publicity and Legal	34,600	83,342
Recruitment	58,626	85,460
Training	205,204	259,766
Travel	37,492	25,107
Experts and related expenditure	1,408,490	1,761,183
IT support cost	1,327,832	1,073,461
Other services	967,302	1,045,618
Operational activities	4,575,217	5,904,278
Total	**8,692,396**	**10,532,157**

Operational activities include IT expenses in amount of EUR 2 505 089, corresponding essentially to IT Infrastructure costs and consultancy working on the various IT projects for their part not capitalised (European Supervisory Platform: EUR 304 997, Credit Institution Register – Notifications: EUR 49 668, Electronic Document Management System: EUR 108 716) or on other projects which do not meet the requirements for capitalisation, for an amount of EUR 441 700.

The operational activities also include the cost of travel for the operational staff (EUR 643 318) and translation (EUR 1 090 292).

3.10.4 Fixed asset related expenses

	2015	2014
Depreciation of tangible fixed assets	979,130	1,018,612
Depreciation of intangible fixed assets	852,122	528,103
Amortization of the offices re-instatement cost	120,645	443,866
Amounts written-off	1,631	34,983
Total	**1,953,528**	**2,025,564**

3.11 Non-operating revenue (expenses)

Non-operating revenue	2015	2014
Bank interest received	14,103	22,037
Total	**14,103**	**22,037**
Non-operating expense		
Bank charges	(2,137)	(2,540)
Interest expense on late payment of charges	-	(1,160)
Interest expense on financing of the fit out of the new premises	40,141	(159,009)
Total	**38,004**	**(162,709)**
Total Non-Operating activities Net	**52,107**	**(140,672)**

Interest expense on financing of the fit out of the new premises, still to be paid as at 31/12/2015, has been re-assessed on the basis of the more precise information given by the supplier.

3.12 Operating lease commitments

Payments for operating lease commitments still to be made at 31 December 2015 for the period up to 8 December 2026, the end date of the lease contract, amount to EUR 26 627 862.

The contractual payments are scheduled as follows:

Description	Charges still to be paid as at 31/12/2015			
	<1year	1-5 years	>5 years	Total charges to be paid
Operating lease - One Canada Square - Canary Wharf	2,434,662	9,738,647	14,454,554	26,627,862

The lease Agreement includes a break clause after 6 years which would trigger a penalty payment of 16 month rent equivalent to EUR 3 246 216, should the Authority exercise the break option. This amount is not included in the charges still to be paid as at 31/12/2015.

Should the Authority exercise the break option, the charges still to be paid as at 31/12/2015 would amount to EUR 15 419 525.

3.13 Contingent liabilities

Contingent liabilities include the part of the budgetary commitments which have not been recognised in expenses as at 31 December 2015.

Budgetary commitments	2015	2014
Commitments carried forward to year N+1	3,219,782	5,332,084
Less expenses already recognised in year N	(1,145,597)	(1,374,022)
Net budgetary commitments as at 31/12/N	**2,074,185**	**3,958,062**

Another contingent liability relates to the case lodged by an unsuccessful bidder in a tender that was launched by the Authority on 20/08/2014. The applicant seeks the annulment of the Authority's procurement decision of 02/03/2015 arguing that the Authority did not properly reason its decision and committed some manifest errors of assessment.
The applicant has requested compensation due to the loss of opportunity in the form of a flat rate amount of EUR 300 000, bearing interest from the date of the issue of the judgment.
Should the applicant succeed, the possible liability which might arise from the litigation is estimated at EUR 330 000.
While the outcome of the case is open, the Authority's management believes that it is more likely than not that no damages would be awarded to the applicant.

3.14 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:

	31.12.2015	31.12.2014
Financial assets		
Current receivables	1,441,358	1,126,393
Sundry receivables	2,992	32,150
Cash and cash equivalents	2,393,929	5,051,159
Total financial assets	**3,838,279**	**6,209,701**
Financial liabilities		
Current payables	189,754	1,058,177
Sundry payables	-	795,298
EU entities	381,239	284,253
Total financial liabilities	**570,993**	**2,137,729**
Total net financial instruments	**3,267,286**	**4,071,973**

3.14.1 Liquidity risk

Liquidity risk arises from the 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 31.12.2015	On demand	< 1 year	1-2 years	> 2 years	Total
Current receivables		1,441,358			1,441,358
Sundry receivables		2,992			2,992
Cash and cash equivalents	2,393,929				2,393,929
Total financial assets (A)	2,393,929	1,444,350	-	-	**3,838,279**
Current payables		189,754			189,754
Sundry payables		-			-
EU entities		381,239			381,239
Total financial liabilities (B)	-	570,993	-	-	**570,993**
Cumulative liquidity gap (A) - (B)	**2,393,929**	**3,267,286**	**3,267,286**	**3,267,286**	3,267,286

3.14.2 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 two 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. The overall treasury balances fluctuated in 2015 between EUR 2.3 million and EUR 14.8 million, with an overall amount of payment executed in 2015 that equals approximatively EUR 37 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:

	31.12.2015	31.12.2014
Current receivables	-	33,414
VAT	1,441,358	1,092,979
Other receivables	2,992	32,150
Cash in banks	2,393,929	5,051,159
Total credit risk	**3,838,279**	**6,209,702**

3.14.3 Market risk

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

3.14.3.1 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 2015 was EUR 8.7 million. Interests earned amount to 14 103 EUR.

3.14.3.2 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:

31-Dec-15	GBP EUR equivalent	EUR	Other EUR equivalent	Total EUR
Monetary assets (C)	2,752,078	1,086,201	-	3,838,279
Receivables with Member States	1,441,358			1,441,358
Other receivables	0	2,992		2,992
Cash and cash equiv. (incl. ST deposits <3months)	1,310,720	1,083,209		2,393,929
Monetary liabilities (D)	1,744,104	406,238	-	2,150,342
Provisions	1,579,348			1,579,348
Payables with third parties	164,756	24,994		189,750
Payables with consolidated entities		381,244		381,244
Net Position (C) - (D)	**1,007,974**	679,964	-	1,687,937

If the Euro were to weaken by 10%, the net asset position would be positively impacted by EUR 100 800.

3.15 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 2015/C415/04 of 15 December 2015.

3.16 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

		2015	2014
REVENUE			
Balancing Commission subsidy	+	11,924,600	12,999,920
Surplus Year N-2		3,608,718	1,100,062
Contributions from National Supervisory Authorities	+	17,392,368	18,960,232
Contributions from Observers		527,218	506,235
Bank interests	+	13,676	20,512
Other income	+	100,296	22,915
TOTAL REVENUE (a)		**33,566,876**	**33,609,876**
EXPENDITURE			
Title I:Staff			
Payments*	-	22,571,851	19,160,331
Appropriations carried over	-	116,921	158,449
Title II: Administrative Expenses			
Payments	-	3,782,803	3,706,902
Appropriations carried over	-	1,487,794	3,431,070
Title III: Operating Expenditure			
Payments	-	3,630,516	5,336,135
Appropriations carried over	-	1,615,067	1,742,564
TOTAL EXPENDITURE (b)		**33,204,952**	**33,535,451**
RESULT FOR THE FINANCIAL YEAR (a-b)		**361,924**	**74,425**
Cancellation of unused payment appropriations carried over from previous year	+	164,242	296,725
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 -)	+/-	(144,927)	(86,896)
BALANCE OF THE RESULT ACCOUNT FOR THE FINANCIAL YEAR		**381,239**	**284,253**
Balance year N-1	+/-	284,253	3,608,718
Positive balance from year N-1 reimbursed in year N to the Commission	-	(284,253)	(3,608,718)
Result used for determining amounts in general accounting		**381,239**	**284,253**
Commission subsidy - agency registers accrued revenue and Commission accrued expense		**15,152,079**	**13,815,729**
Pre-financing remaining open to be reimbursed by agency to Commission in year N+1		**381,239**	**284,253**
* In 2015, include C4 credits for EUR 6 911.			

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).

		2015	2014
Economic outturn for the year (positive for surplus and negative for deficit)	**+/-**	**(1,156,528)**	**2,626,815**
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)	-	(2,593,534)	(1,300,119)
Adjustments for Accrual Cut-off (cut- off 31/12/N)	+	2,889,072	1,574,352
Depreciation of intangible and tangible assets (1)	+	1,953,528	2,025,564
Provisions (1)	+	-	(122,000)
Recovery Orders issued in in class 7 and not yet cashed	-	-	(33,414)
Payments made from carry over of payment appropriations	+	3,636,032	3,638,840
Adjustments for differed charges cut-off (Reversal from 31/12/N-1)	+	141,003	255,289
Adjustments for differed charges cut-off (Pre-payments made as at 31/12/N)	-	(239,853)	(141,003)
Adjustment for partial reversal of the capital sum received with the lease agreement		(529,990)	-
Accrued revenue for VAT reimbursement related to invoices from 2011 to 2014		(124,037)	-
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 *)	+/-	(100,059)	(60,024)
Adjustment for budgetary items (item included in the budgetary result but not in the economic result)			
Asset acquisitions (less unpaid amounts)	-	(875,861)	(2,877,193)
New pre-financing paid in the year 2015 and remaining open as at 31/12/2015	-	-	-
New pre-financing received in the year 2015 and remaining open as at. 31/12/2015	+	381,239	284,253
Budgetary recovery orders issued before 2015 and cashed in the year	+	33,414	-
Payment appropriations carried over to 2016	-	(3,219,782)	(5,332,083)
Cancellation of unused carried over payment appropriations from previous year	+	164,243	296,725
Payment of 2014 CDT rebate (accrued in 2014 and collected in 2015)		22,352	
Other **)	+/-		(744,949)
Total		381,239	284,253
Budgetary result		**381,239**	**284,253**

4.4 Budgetary transfers

		Initial appropriations	Amending budget	Transfers	Final appropriations
		A	*B*	*C*	*D = A + B + C*
	Title 1 Staff expenditure	**21,720,800**	**1,617,000**	**(483,253)**	**22,854,547**
11	Salaries & allowances	20,244,400	1,554,000	(400,494)	21,397,906
12	Expenditure relating to staff recruitment and management	1,243,500	63,000	(167,543)	1,138,957
13	Mission expenses	40,000	-	-	40,000
14	Socio-medical infrastructure	30,400	-	32,400	62,800
15	Training	140,000	-	52,384	192,384
17	Receptions and events	22,500	-	-	22,500
	Title 2 Administrative expenditure	**4,392,600**	**262,000**	**660,235**	**5,314,835**
20	Rental of buildings and associated costs	2,291,800	214,000	681,058	3,186,858
21	Information and communication technology	1,460,300	-	56,177	1,516,477
23	Current administrative expenditure	138,000	8,000	(8,145)	137,855
24	Postage / Telecommunications	212,500	18,000	(23,030)	207,470
25	Information and publishing	280,000	22,000	(35,825)	266,175
26	Meeting expenses	10,000	-	(10,000)	-
	Title 3 Operational expenditure	**5,401,600**	**25,000**	**(176,982)**	**5,249,618**
31	General operational costs: seminars for NSA, meetings, missions, consultation services, publication	2,023,500	25,000	92,690	2,141,190
32	Collection of information, developing and maintenance of a central European database	3,378,100	-	(269,672)	3,108,428
	TOTAL	**31,515,000**	**1,904,000**	**-**	**33,419,000**

The initial budget for the year was EUR 31,515,000. This was increased in August 2015 by EUR 1,904,000 by an amending budget, for which the need was driven by the drop in the EUR/GBP exchange rate.

Only one of the 30 budgetary transfers executed during the year 2015 exceeded the limit of 10% referred to in Article 27 of the EBA Financial Regulation.

4.5 Budgetary execution in 2015

Title	Final appropriations	Committed	%	Paid	%	Carried forward	%
	A	*B*	*C = B / A*	*D*	*E = D / B*	*F*	*G = F / B*
I: Staff-related	22,854,547	22,681,862	99%	22,564,940	99%	116,921	1%
II: Administrative	5,314,835	5,270,597	99%	3,782,803	72%	1,487,794	28%
III: Operational	5,249,618	5,245,583	100%	3,630,516	69%	1,615,067	31%
TOTAL	**33,419,000**	**33,198,042**	**99,3%**	**29,978,259**	**90.3%**	**3,219,782**	**10%**

4.5.1 Execution 2015

The EBA had an overall budget execution rate in 2015 of 99.3% for commitments and 90.3% for payments.

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 2016

The value of carry forward to the next year decreased by 40% from 2014 (EUR 5 332 083) to 2015 (EUR 3 219 782), in the context of a half a percent decrease in total budget between the two years. This reflects a return to more normal levels of carry forward at the end of 2015, after the high 2014 carry forward that was driven by the December 2014 office move to the new premises in Canary Wharf.

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

Title	2015	2014	Movement
	A	*B*	*C = A - B*
I: Staff-related	1%	1%	0%
II: Administrative	28%	48%	(20%)
III: Operational	31%	25%	6%
TOTAL	**10%**	**16%**	**(6%)**

4.6 Budgetary execution in 2015 on carry-forward from 2014

Title	Carry forward	Paid	%	Cancellations
	A	*B*	*C = B / A*	*D = B - A*
I: Staff-related	158,449	151,972	96%	(6,477)
II: Administrative	3,407,690*	3,275,703	96%	(131,987)
III: Operational	1,765,944*	1,740,165	99%	(25,779)
TOTAL	**5,332,083**	**5,167,840**	**97%**	**(164,243)**

* After reassignment of appropriation amounts from Title II to Title III for EUR 23 380

Of the 159 commitments carried forward, a de-commitment of just one of these made up EUR 83 830 of the total de-commitment. This de-commitment resulted from a saving in the cost of dilapidations for the old premises, where by negotiation with the landlord, the EBA succeeded in driving down the total cost.

4.7 Detailed budget implementation 2015 by chapter

	Chapter	Final appropriations	Committed	%	Paid	%	Carried forward	%
		A	*B*	*C = B / A*	*D*	*E = D / B*	*F = B - D*	*G = F / B*
	Title 1 Staff expenditure	**22,854,547**	**22,681,862**	**99%**	**22,564,940**	**99%**	**116,921**	**1%**
11	Salaries & allowances	21,397,906	21,368,815	100%	21,368,815	100%	-	0%
12	Expenditure relating to staff recruitment and management	1,138,957	1,025,487	90%	979,602	96%	45,885	4%
13	Mission expenses	40,000	38,914	97%	38,914	100%	-	0%
14	Socio-medical infrastructure	62,800	53,358	85%	32,946	62%	20,412	38%
15	Training	192,384	190,343	99%	139,719	73%	50,624	27%
17	Receptions and events	22,500	4,944	22%	4,944	100%	-	0%
	Title 2 Administrative expenditure	**5,314,835**	**5,270,597**	**99%**	**3,782,803**	**72%**	**1,487,794**	**28%**
20	Rental of buildings and associated costs.	3,186,858	3,146,653	99%	2,518,838	80%	627,815	20%
21	Information and communication technology	1,516,477	1,516,476	100%	873,863	58%	642,613	42%
23	Current administrative expenditure	137,855	135,991	99%	45,204	33%	90,787	67%
24	Postage / Telecommunications	207,470	207,470	100%	183,174	88%	24,295	12%
25	Information and publishing	266,175	264,008	99%	161,724	61%	102,284	39%
26	Meeting expenses	-	-		-		-	
	Title 3 Operational expenditure	**5,249,618**	**5,245,583**	**100%**	**3,630,516**	**69%**	**1,615,067**	**31%**
31	General operational costs: seminars for NSA, meetings, missions, consultation services, publication	2,141,190	2,137,155	100%	1,729,830	81%	407,325	19%
32	Collection of information, developing and maintenance of a central European database	3,108,428	3,108,428	100%	1,900,686	61%	1,207,742	39%
	TOTAL	**33,419,000**	**33,198,042**	**99%**	**29,978,259**	**90%**	**3,219,782**	**10%**

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.

A full physical inventory of the assets was performed at the very beginning of 2015, in order to ensure the correct registration of the physical move to the new premises in Canary Wharf.

A second inventory exercise has been performed in November 2015 for IT equipment only.

In both cases no material discrepancies were identified.