



EURO BANKING ASSOCIATION



**Report of the Board
Annual General Meeting
12th June 2014**

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Executive Summary

As a community of like-minded European payment practitioners, EBA continued to capture the demands of its members and the wider payments industry throughout 2013. The activities undertaken in pursuit of the overarching strategy for the Association evolved during the year to reflect changing market realities.

The EBA has a very simple set of objectives. To serve its members by delivering value in three strategic pillars, each designed to deliver benefits to their wholesale and retail payment divisions. Each strategic pillar is reflective of specific work initiatives.

1. **Thought Leadership** – to help members develop policies, strategies and roadmaps for rapid and complex payments change.
2. **Knowledge and Research** – delivering collective insights that can be shared by members at low cost. This pillar includes:
 - ▶ Innovation Working Groups designed to develop market knowledge and conduct research into specific focus areas, such as electronic invoicing, supply chain finance and electronic alternative payments.
 - ▶ Regulation and Compliance Working Groups and Round Tables to help members understand the impact of new regulatory and compliance requirements for transaction banking and payments. EBA has produced guidance documents summarising and explaining the requirements of the SEPA Migration End-Date Regulation and describing their impact on the business of the banks and their customers. The Association further hosts the SEPA Migration Action Round Table (SMART) which is geared at bringing clarification to SEPA migration-related issues and defining industry best practices to support banks in their interbank and intra-bank handling of SEPA payments.
 - ▶ Industry dialogue by drawing on members' feedback in order to provide a practitioner's perspective to the key EU stakeholders and to seek clarification on a number of issues, thereby contributing to a constructive dialogue between the legislators and the payment/banking industry. The Association feeds into many industry bodies such as the European Multi-Stakeholder Forum on e-invoicing, the Global SCF Forum of the International Chamber of Commerce, the Payment Systems Market Expert Group (PSMEG) of the European Commission and various European Payments Council (EPC) working groups.
3. **Educational Services** – to assist its membership in developing a better understanding of the payments environment by providing professional education and networking opportunities.

While the payments landscape has evolved rapidly over the past decade, due to a flurry of innovation and regulation, expansive growth in electronic payments and the inclusion of

new market entrants, industry research indicates that the next decade will yield a period of even faster changes.

Throughout 2013, EBA has built on its reputation of successfully identifying issues of common interest and effectively brokering constructive dialogue. The increasing complexities of the industry and the emergence of non-traditional players required open collaboration and information sharing between service providers and financial institutions.

Recognising these trends, EBA embarked on a comprehensive exercise to develop a longer-term strategy and positioning that should ensure that the EBA value proposition continues to serve the needs of its diverse membership and their end customers. Hence, a major focus of the EBA's activities in 2013 was placed on generating more knowledge on and a better understanding of emerging industry issues. As such, the EBA Board pursued its reflection process with regard to the future payments and transaction banking landscape. The extended scope of the exercise included not only supply chain finance, but also electronic and alternative payments. The aim was to assess the market situation, to understand the potential needs of the banks in the co-operative space, and to evaluate whether and how the Association could provide new value in these areas.

EBA also supported its member banks in understanding and meeting the latest compliance requirements for SEPA payments. To this effect, the Association continued to closely follow the evolution of the SEPA Migration End-Date Regulation and also provided a practitioners' perspective to the dialogue between the legislators and the payments industry on this matter.

Furthermore, EBA's thought leadership and educational activities constituted again an important work stream in 2013. In its eight year, EBAday presented itself as a leading conference and exhibition on pan-European payments and transaction banking matters. The EBA Summer and Winter Schools are also well-established and continued to attract many delegates from all corners of Europe.

1. Report on EBA Activities in 2013 and outlook for 2014+

1.1 Report on work streams

In 2013, the commitment and involvement of the EBA membership have allowed the Association to pursue a number of activities.

Carry out research, facilitating exchange of experience and growing expertise by:

- ▶ providing the EBA community with insight and expertise on emerging subjects such as e-invoicing, supply chain finance, electronic and alternative payment methods;
- ▶ delivering two educational seminars per year, where high-level speakers from major banks, consultancies, law firms and universities share their expert knowledge and understanding of the pan-European payments business with senior level staff at member banks and associate members;
- ▶ growing EBAday into a key payments conference and exhibition in Europe, delivering the latest information on industry developments in co-operation with our bank sponsors.

Support banks' compliance with regulatory requirements in the area of payments by:

- ▶ updating EBA members and associate members on the ongoing European integration and harmonisation processes in the clearing and settlement of payments;
- ▶ analysing and explaining the practical implications of the SEPA Migration End-Date Regulation and issue market guidance.

1.1.1 E-invoicing and supply chain finance

Over the last few years, the EBA has brought together practitioners among its members and associate members to discuss and develop concepts in the areas of electronic invoicing and more recently supply chain finance (SCF). In 2013, the Supply Chain Working Group (SCWG) of the EBA published a Market Guide to SCF. The guide describes the current SCF ecosystem and analyses drivers propelling or constraining take-up and adoption of a range of financing instruments applied to open account trading. It defines and explores market opportunities for possible supply chain finance services, and identifies key risks and regulatory issues that impact the supply chain finance market. The guide also defines a common terminology for the supply chain finance.

During 2013, the SCWG focused on aspects such as the corporate value proposition, co-operation between banks and B2B networks, and the Bank Payment Obligation. These areas will be covered in the second edition of the Market Guide to SCF to be released at EBAday 2014.

1.1.2 SEPA Migration End-Date Work Stream

In March 2013, the EBA Board identified the need for a forum where practitioners would be able to discuss and solve open issues and uncertainties in relation to the implementation in practice of the SEPA Regulation requirements and to the day-to-day execution of SEPA Credit Transfers and Direct Debits, especially in the cross-border space. Terms of Reference were put together for a SEPA Migration Action Round Table (SMART), a forum for banks and by banks, which is facilitated by the EBA. SMART is an infrastructure-independent forum whose activities are complementary to the work of the European Payments Council and other relevant industry bodies.

In 2013, the round table has brought clarification to a number of SEPA migration-related issues and has defined industry best practices to support banks in their interbank and intrabank handling of SEPA payments. A comprehensive guide on the handling of SDD R-transactions was published at Sibos 2013 and widely distributed across the industry. The group also delivered six smaller notes with recommendations on several other issues, such as on the topic of issuing, handling and validating creditor identifiers, and a best practice guide for the set-up for SEPA command centres in the banks.

1.1.3 EBA Educational Activities

In 2013, the Association organised two payments-related educational seminars on key areas such as the financial supply chain and intra-day liquidity management.

As in previous years, the seminars were scheduled to assist the EBA community in developing a better understanding of the payments business by providing a wide range of professional expertise, academic content and networking opportunities.

The EBA Summer School 2013 “Payments and the Financial Supply Chain – Creating Profitable Customer Opportunities” was held in Barcelona, Spain, from 2nd to 4th July 2013. The programme included a full day at IBM’s Client Centre for Banking in Barcelona.

From 22nd to 23rd October 2013, the EBA organised a seminar on “Managing Intra-Day Liquidity and Liquidity Risk” in Amsterdam, the Netherlands. Based on the successful series of EBA Winter and Summer Schools, the Liquidity Management Seminar was denser, running for one and a half days. Hosted by Accenture, it included an interactive liquidity simulation that provided practical insight, real-time experience and direct learning on the challenges of managing intra-day liquidity in a typical European bank.

By the end of the year, the EBA Winter/Summer Schools counted over 500 alumni.

1.1.4 Electronic Alternative Payments Working Group (previously Cash Displacement Working Group)

The EBA Cash Displacement Working Group (CDWG) was created in Q3 2011. The original objectives were to examine the European cash market and usage, to identify alternative methods of payment with potential to displace cash and to suggest a policy roadmap.

The starting point for the CDWG to tackle the topic was to segment its research into different phases. The first phase was to define and review the existing and emerging payments ecosystem as it pertains to cash displacement in order to understand why cash survives the propositions of new, modern alternative payments. In its second phase of work, the CDWG looked at the implications for banks and the likely outcome in terms of a 2020 vision.

From its initial research, the CDWG came to a number of key observations. The retail payment systems are entering a period of rapid change as the traditional payment silos converge and the differences between methods decline. There is a gradual recognition of the implications of convergence and the increasing misalignment between retail payments and the needs of modern electronic payments. Bank customers increasingly demand that these new payment methods conform to the same high standards of security and consumer redress that apply for more conventional types of payments. On the other hand, merchants and e-AP developers recognise that alternative payments operate in an ecosystem with no uniform rules. Europe's key stakeholders are also seeking improvements and continued momentum from banks towards achieving e-SEPA.

The CDWG concluded with a set of recommendations for EBA and the European banking industry at large. The topic of electronic alternative payments extends EBA's thinking from the wholesale to the retail side of payments. Cards are obviously an important dynamic in this area which cannot be ignored. It results that the overall scope involves many siloes of the banks. In addition, this activity stream is both addressing the liquidity and the wider e-SEPA discussion. A number of major strategic topics have emerged from the debates which involved focused investigations and are worthy of consideration to individual banks and the industry as a whole. To this end, the Board resolved in November 2013 to continue the activities of the formerly called Cash Displacement Working Group with a new mandate to reflect the move away from the cash displacement issue towards the broader electronic agenda. The group was renamed into Electronic Alternative Payments Working Group (e-APWG) and received revised Terms of Reference.

1.1.5 EPC and industry-related activities

As part of EBA's commitment to developing and enhancing SEPA, the Association actively contributed to different EPC working groups throughout 2013. EBA experts participated, among others, in the Legal Support Group and the SEPA Payment Schemes (SPS) Working Group.

Furthermore, EBA contributed to other key industry bodies such as the ICC Banking Commission Global SCF Forum, the European Multi-Stakeholder Forum on E-invoicing and the Payment Systems Market Expert Group (PSMEG) of the EC.

1.2 Marketing and communications

1.2.1 EBAday

The eighth EBAday “Towards a Borderless World for Payments” took place in Berlin’s Estrel Convention Centre on 21st and 22nd May 2013. As in previous years, the event ran over two full days. It was comprised of twelve parallel panel sessions (two more than in 2012) as well as a high-level futurist insight and two roundtable discussions. EBAday 2013 counted about 700 delegates. With 35 stands, the exhibition managed to sell out again.

The conference covered the key themes of global regulation, change management, the last stages of the SEPA migration, technological advances in payments, collaboration and partnerships, as well as supply chain finance.

In 2013, the EBA was again able to attract a wide range of sponsors and partners for EBAday. As has become customary, EBAday provided crucial insight into key business, regulatory and technological topics not only for payment practitioners from banks and vendors, but also for corporate treasurers.

1.2.2 EBA Portal

Throughout 2013, the EBA Portal continued to be used by the EBA to share relevant industry information with its members. The average number of visitors to the EBA Portal stood at more than 1,300 per month, while the number of hits was 28,000 on average per month.

The EBA Portal is currently in the process of being included as a dedicated section on the EBA website. This allows the membership to find all information shared by the EBA on one site. It is also in line with the plans of the Association to revamp the EBA website in 2014 with an integrated industry news section rather than having to invest in the upgrade of two separate websites.

In 2014, the EBA will keep posting key industry news and a variety of expert articles on relevant payments topics contributed by industry bodies and different specialised publications.

1.2.3 External Conferences

At Sibos in Dubai, the Association organised an Expert Panel on the subject of “The future payments and transaction banking landscape” in which industry experts discussed the current trends in the payments market and shared their own vision for payments in 2020.

As co-operation partner, the EBA participated again in the “Euro Payments Conference” in Frankfurt. The conference took place in November 2013 as an integral part of the Euro Finance Week. The event addressed, among others, the SEPA migration end-date and the growing importance of e- and m-payments. The EBA also had a stand at the event, which it shared with EBA CLEARING.

1.3 Changes in the Board of the Association

During the AGM on 23rd May 2013, the following Board members, including the Chairman and Deputy Chairman, were elected or re-elected for a three-year term of office:

Chairman

- ▶ Hansjörg Nymphius, Deutsche Bank AG

Deputy Chairman

- ▶ Björn Flismark, Skandinaviska Enskilda Banken

Other Board members

- ▶ Vincent Brennan, Bank of Ireland
- ▶ Wolfgang Ehrmann, Landesbank Hessen-Thüringen (Helaba)
- ▶ Gerald Hechl, Raiffeisen Bank International AG

Accordingly, after the AGM on 23rd May 2013, the Board was composed of the following persons:

Chairman

(until AGM in)

Hansjörg Nymphius	DEUTSCHE BANK AG	2016
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Deputy Chairman

Björn Flismark	SEB	2016
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Other Board members

Kevin Brown	ROYAL BANK OF SCOTLAND	2014
Gilbert Ernst	BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG	2014
Thomas Kraft	BNP PARIBAS	2014
Erkki Poutiainen	NORDEA BANK FINLAND	2014
Ludwig Van Wemmel	BELFIUS BANK SA/NV	2014
James Barclay	JPMORGAN CHASE BANK NA	2015
Luca Poletto	BANCA NAZIONALE DEL LAVORO	2015
Jan Paul van Pul	ABN AMRO BANK	2015
Javier Santamaría	BANCO SANTANDER	2015
José Vicente	BANCO COMERCIAL PORTUGUES	2015
Vincent Brennan	BANK OF IRELAND	2016
Wolfgang Ehrmann	LANDESBANKHESSEN-THUERINGEN (HELABA)	2016
Gerald Hechl	RAIFFEISEN BANK INTERNATIONAL AG	2016

Further to Erkki Poutiainen's resignation from the Board and further to a Board consultation called on 4th June 2013, Ann Andrén, Nordea Bank Finland Plc, was appointed as a replacing Board member for the remainder of her predecessor's term, i.e. until the end of 2014 AGM.

Further to Björn Flismark's resignation as Deputy Chairman, Vincent Brennan was appointed as interim Deputy Chairman by the Board during its meeting on 28th November 2013 for the period running until the General Meeting on 12th June 2014.

With effect from 1st January 2014, Janina Grönholm resigned from her position as STEP1 Committee Chairperson and, as a consequence, as EBA Board Observer.

With effect from 30th April 2014, Kevin Brown resigned from the Board further to his retirement from Royal Bank of Scotland.

The Chairman thanks those Board members whose mandate will terminate at the end of the present Annual General Meeting.

During the year 2013, the Board met on:

- ▶ 1st March
- ▶ 16th April
- ▶ 27th June
- ▶ 10th and 11th October
- ▶ 28th November

Since 1st January 2014, the Board has met on:

- ▶ 27th February
- ▶ 6th May

1.4 Changes in EBA membership

Since the last AGM on 23rd May 2013 until this year's AGM, one full member and four user members have withdrawn from the EBA, due to mergers/acquisitions whilst the number of associate members has increased from 40 to 45.

1.5 Outlook for 2014+

The first step towards a clear view of the emerging payments market is to understand the nature of the highly significant changes that are now underway. The underlying trend identified for retail payments is that payment method and transaction convergence is gradually happening driven by customer demand for seamless solutions. The focus of business propositions is shifting from product/silo orientation to client-orientation, where a common and high-quality customer journey is an increasingly important component in any bank's payments offer.

The ability of some banks to compete effectively along with new entrants is currently undermined by a lack of appreciation of the outcomes of convergence and the needs of their customers and the impact of new payments concepts and services.

EBA intends to help its member banks gain a holistic vision of the 2020 payments ecosystem.

EBA is strategically positioned to set out a roadmap as well as facilitate the construction of new value propositions that go beyond cost reduction. The EBA can spearhead a call to action, leverage or promote infrastructure arrangements and help member banks to adapt to the challenges ahead.

1.5.1 New Areas of Involvement

The EBA endeavours to play an important facilitation role in a changing ecosystem for payments and transaction banking. To that effect, the EBA Board has identified a number of new focus areas for further evaluation:

1. *Support the growth of electronic and alternative payments*
Promoting innovative, safe and sound approaches to the introduction and usage of (new) electronic and alternative payments;
2. *Drive efficiencies in payments*
Identifying the opportunities to improve processing and network capabilities in banks and payment systems, thereby reducing costs for the banking industry at large;
3. *Promote modernisation of the Euro Payments Market*
Contributing to the thinking on how to modernise the euro payments landscape to better accommodate arising clearing arrangements and business models, as well as emerging banking technology.

Building on the work already done to date, EBA intends to pursue select research efforts designed to understand the arising issues of payment users. In particular, EBA will leverage its analysis in the area of regulatory changes in order to highlight the regulatory gaps within the European payments landscape to the benefit of its membership. EBA guidance on key points of potential ambiguity will remain important in helping banks to enable a set of common implementation planning assumptions.

In parallel, EBA will continue to intensify its efforts geared at sparking and nurturing cross-industry discussions around topics of key interest and relevance. Members will be able to participate in these discussions, which will be facilitated through panels and forum groups. Such groups, which cover each a specific topic, will deliver guidance on crucial issues for the membership of the Association and the wider market.

Based on its reputation as a practitioners' organisation driving pan-European payments initiatives, EBA will work on further strengthening its visibility as an industry thought leader.

In addition, EBA will continue to supply a stimulating environment for delegates to learn about the strategic, operational, technical and regulatory issues facing the payments industry. EBA will offer education that anticipates changes in the industry and challenges assumptions about how organisations can respond to these changes.

Moreover, EBA will act as a strategic complement to EBA CLEARING in an effort to strengthen the transmission of mutually-held beliefs and interests to the market. The EBA will remain assertive in sharing its expertise and views in industry bodies and forums.

1.5.2 Work related to Electronic Alternative Payments

Regulatory interventions and the growth of non-bank owned payments methods are propelling interbank organisations and member banks to reconsider the positioning of traditional ACH payments, cards and cash. Many members are now realising the need to develop new and compelling products and services if they are to compete. To date, developers and suppliers have built ACH-based alternative payment methods in an unstructured manner for there are few if any best practice guidelines. As innovation accelerates and non-banks drive new payments methods, there is a great need for open collaboration and information sharing. EBA is therefore taking up a role in promoting innovation and secure approaches to the design, implementation and use of (new) best in class electronic ACH and alternative payments, designed to help banks in keeping up with change and compete.

Going forward, the electronic alternative payments working group (e-APWG) intends to explore the user/merchant requirements for next generation electronic alternative retail payment solutions. The e-APWG also recognises that the European payments infrastructure has many legacy and traditional components that have served their purpose well in the past but are now in need of modernisation to meet the demand for real-time and online electronic payments. Hence, in a second instance, the e-APWG will study how to better accommodate the identified user requirements for next generation electronic alternative payments products from an infrastructure perspective (i.e. models and technology).

Furthermore, the e-APWG recognises the accelerating development of e-identity services and the rapid take up by consumers and corporates in several EU markets of this new approach to digital security and expanding the provision of services via online channels. To that effect, the e-APWG intends to study best practices and processes for e-identity and provide members with a roadmap for possible implementation, in particular against the backdrop of legislation and potential “access to account” services by third party providers.

The e-APWG counts 16 participants from 10 EU countries.

1.5.3 Work related to e-invoicing and supply chain finance

In 2014, the EBA Board has expanded the mission of the Supply Chain Working Group (SCWG) to undertake a more holistic analysis of the financial supply chain meaning the complete range of risk management practices and financial transactions that facilitate the purchase of, and payment for, goods and services, such as the contracting process, purchase orders and invoice, managing liquidity, raising working capital finance and making the required payments. Traditionally, the banking industry has tended to consider supplier, manufacturers, service providers and end customers independently in a partitioned way, for example looking separately at funding for suppliers and buyers. As working capital management has become more important to corporates, banks are looking at the end-to-end value chain often with a view to raising finance based on the stronger credit

risks present in a supply chain and feeding liquidity to key suppliers and partners. Financial institutions have a need to position themselves for greater visibility into each step within the supply chain, as well as creating insights into the underlying commercial basis of transactions. By taking this holistic view, banks have an opportunity to re-intermediate themselves as appropriate. The increasing automation of supply chains is creating attractive financing opportunities for the financial industry to offer a wider range of services well beyond traditional trade finance. Banks should view the financial supply chain as a key marketplace for transactional services powered by automation and network capabilities.

In 2014, the SCWG will focus on process mapping of the financial supply chain, a review of order-to-cash processes and the development of e-invoicing, continued monitoring of the supply chain finance market, including market terminology, as well as the performance of B2B payment services in supporting the financial supply chain, especially in areas such as remittance data. This will enable the development of a generic value proposition for banks including ways in which payments, supply chain finance and supply chain automation can be brought together in a “non-silo” way to create value for corporate users.

Additionally, as highlighted in the recommendations of the first edition of its Market Guide on SCF, institutions use different nomenclature to describe similar SCF solutions that are sold by different institutions, thereby confusing the importers, exporters, regulators, well-experienced and new practitioners as well as investors’ communities. Given the rapid growth of SCF, there is a need for common understanding and operationalised terminology to be used in SCF transactions.

At the end of 2013, EBA started a dialogue with business associations such as Bankers Association for Finance and Trade (BAFT), Factors Chain International (FCI), International Factors Groups (IFG), the International Forfaiting Association (IFA), and the Banking Commission of the International Chamber of Commerce (ICC) to tackle this terminology issue. In April 2014, the six business associations have joined forces to launch under the auspices of the ICC Banking Commission, the SCF Global Forum initiative with the mission to build consensus on the proposed SCF market terminology within a twelve month timeframe. The SCWG through its work will support this initiative.

The SCWG counts 30 participants from 14 EU countries.

1.5.4 SEPA Migration End-Date Work Stream

Following the publication in early January 2014 of the EC Regulation proposal extending the SEPA migration end-date by six months, the SMART participants compiled an overview of the positions taken and plans made by the different Eurozone communities with regard to the continuation of their national payment systems, schemes and products. The EBA supported this joint effort by reaching out to its membership for information and by making available on its website the different statements issued by public authorities and

industry bodies across the Eurozone. Practical translations into English of key statements and document excerpts were made available online both to SMART participants and EBA members.

The public posting of this information by SMART brought a lot of transparency to the industry's orientation and decision-making phase that followed the publication of this regulatory initiative in early January 2014. SMART provided the first publicly available repository of information about the impact of the new Regulation on the legacy payment landscape across the different Eurozone countries. The SMART overview table summarising the national plans continues to be updated on a regular basis.

The handling of SEPA Direct Debit R-transactions, such as rejects, returns or refunds, remains a key area of concern among banks and their customers. That is why SMART issued a questionnaire for banks in early April 2014 in order to collect additional information on the key problems that still persist around this topic. The aim of this initiative is to gain a better understanding of these issues as a starting point for developing a common approach to overcome these hurdles and ensure a satisfactory SDD experience for bank customers. Initial results of the SMART survey will be shared with the wider industry as part of an updated version of the SMART R-transaction guide, which will be published at EBAday in June 2014. More detailed deliverables are expected to be presented in September 2014.

At this stage, the SMART counts 34 participating banks from 15 European countries.

1.5.5 Work related to Educational Activities

The next educational seminar, the EBA Summer School 2014 "Mobile, Electronic and Alternative Payments – Current Realities, Future Horizons", will be held in Sophia Antipolis, France, from 1st to 3rd July 2014. It includes a full day at Accenture's Technology Labs, showcasing client case studies and practical demonstrations.

In October 2014, another liquidity management seminar is scheduled to take place in Wiesbaden (near Frankfurt), Germany, with the support of CSC.

1.5.6 Other

EBAday 2014 will take place in Helsinki's Finlandia Hall in June 2014. The topic will be "A New Era of Transformation and Convergence for Banks". By the end of April 2014, over 30 organisations had already decided to exhibit.

1.5.7 Membership

As of 20th May 2014, the total number of members is the following:

- ▶ Full members: 66
- ▶ User members: 83
- ▶ Associate members: 45

2. Financial situation, P&L statement as of 31st December 2013

The figures commented below are attached to this report as [Appendix 1](#).

For the financial year 2013, the EBA generated a result before tax of EUR 114,654, which is 140% above the targeted figures of the 2013 budget. This increase compared to budget is primarily due to the expenses that stand 2% below budget at EUR 1,800,363 and the revenues that are 2% above budget at EUR 1,930,017.

2.1 Overall expenses incurred in 2013

The overall level of expenses incurred by the Association were maintained below the budgeted level, at EUR 1,800,363 instead of EUR 1,837,283, despite unforeseen expenses incurred by an additional EBA educational event and a slight increase related to the Service Agreements with EBA CLEARING.

2.1.1 Service Agreements

The costs not directly incurred by the Association are determined by the Service Agreements between EBA CLEARING and the Association. The wage indexation of the staff for administrative and support services has increased the amount invoiced by 2% to EUR 920,482 compared to the budget of EUR 902,433. The anticipated revision of the agreement for premises and office space, initially planned and budgeted in 2013, will enter into effect in 2014; leaving the 2013 actuals of EUR 304,000 at the level of previous years.

2.1.2 EBA Activities

The expenses related to the educational activities increased due to the organisation of a supplementary event in addition to the Summer School, i.e. the Liquidity Management Seminar that has taken place during the second half of 2013. The EBA educational activities budget has therefore exceeded the budget initially foreseen of EUR 100,000 by EUR 40,237.

The EBA day expenses incurred directly by the EBA amounted to EUR 18,344 and are identified as a separate category within the 2013 profit and loss statement.

2.1.3 EPC membership and other expenses

The EPC membership fees of EUR 48,325 were lower compared to the initial budget of EUR 55,000.

It has to be noted that expenses related to external relations, composed mainly of promotion and meetings, are 8% under the target level of EUR 200,000 at EUR 183,265.

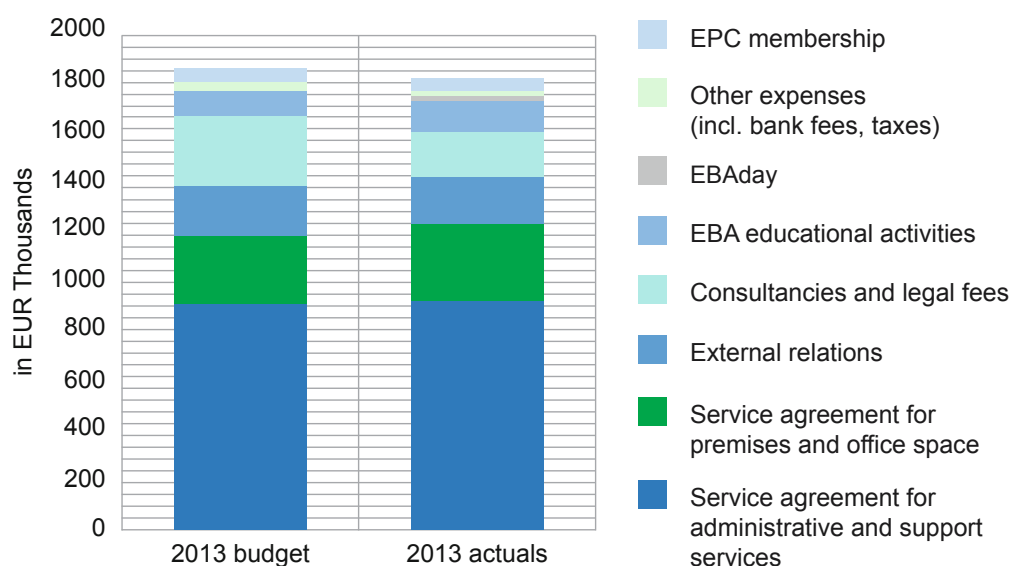
The consultancy and legal fees are 41% below budget, mainly due to unused provisions for external resources initially planned for 2013.

The expenditure level of the items fees for auditor and working group related consultancies is 11% under budget and stood at EUR 16,966.

The overall consultancy and legal expenses are at EUR 164,817 and significantly below the budget of EUR 280,000.

The item "Other expenses" stands at EUR 20,894, which is 27% under budget.

2013 expenditures compared to budget

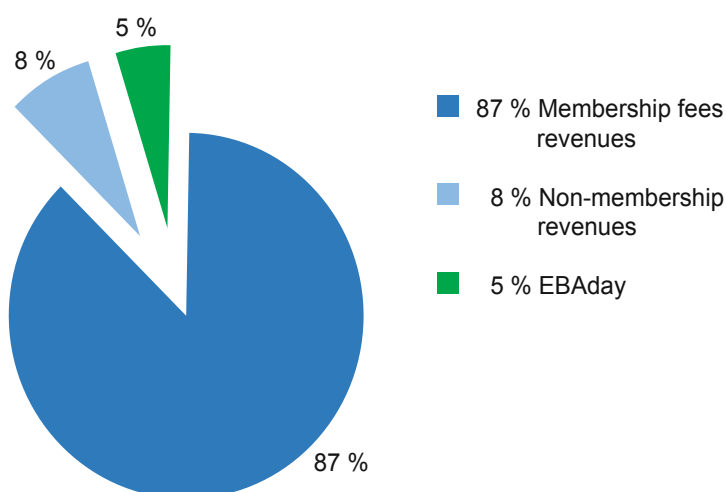


2.2 Revenues in 2013

The EBA is funded by three types of revenues, the membership revenues that counted in 2013 for 87% of the total revenue, 8% of the revenue are non-membership revenues

and 5% are produced by income related to EBAday. The total revenues stand at EUR 1,930,017, 2% above budget of EUR 1,885,000 initially targeted for 2013.

EBA Revenues Breakdown



2.2.1 Membership revenues

The membership revenues stand at EUR 1,669,000, 1% below the budget of EUR 1,685,000, and are composed of membership fees and entrance fees. The latter stand 62% above budget at EUR 21,000 due to the admission of four new associate members and one new user member.

2.2.2 Non-membership revenues

The non-membership revenues (excluding EBAday) amount to EUR 163,034, which is 36% above budget, mainly obtained by the EBA educational activities that are 43% above budget at EUR 157,200. This is due to an additional seminar organised by EBA in Q4 2013. The financial revenues amounted to EUR 5,834 mainly resulting from the interest gained on account holdings.

2.2.3 EBAday revenues

The event organised in collaboration with Finextra produced for EBA EUR 97,984 in revenue, which is 22% higher than the amount foreseen of EUR 80,000.

2.3 Income tax and results for 2013

With a total amount of expenses at EUR 1,800,363 and revenues at EUR 1,930,017, the result before tax and after allowances is EUR 114,654. After the deduction of income taxes of EUR 38,419, the fiscal year 2013 provides the EBA with a net result of EUR 76,235, which is 140% higher than expected.

It is proposed to include this amount in the current reserve, reaching an amount of EUR 1,046,407.

2.4 EBA budget for 2014

The 2014 proposed budget for the Euro Banking Association will provide a result before tax of EUR 73,540, and EUR 49,027 after tax, below the level of the 2013 result and contain significant changes in the expenses and revenues items compared to 2013 that are further explained.

2.4.1 EBA operating charges

The overall expenses for the 2014 budget of the Association will stand at EUR 1,661,960, including the expenses related to the Service Agreements at EUR 985,000. The expenses related to the different activities carried out by the Association are at the level of EUR 676,960.

The service agreements between EBA and EBA CLEARING have been revised for the year 2014. EBA will benefit from a decrease in the lump sum of the agreements covering the human resources for administrative and support services and the premises and office space. The lump sum of the agreement for administrative and support services will be EUR 775,000, representing a decrease of EUR 145,000 compared to 2013. The total amount for the agreement for premises and office space will decrease by EUR 94,000.

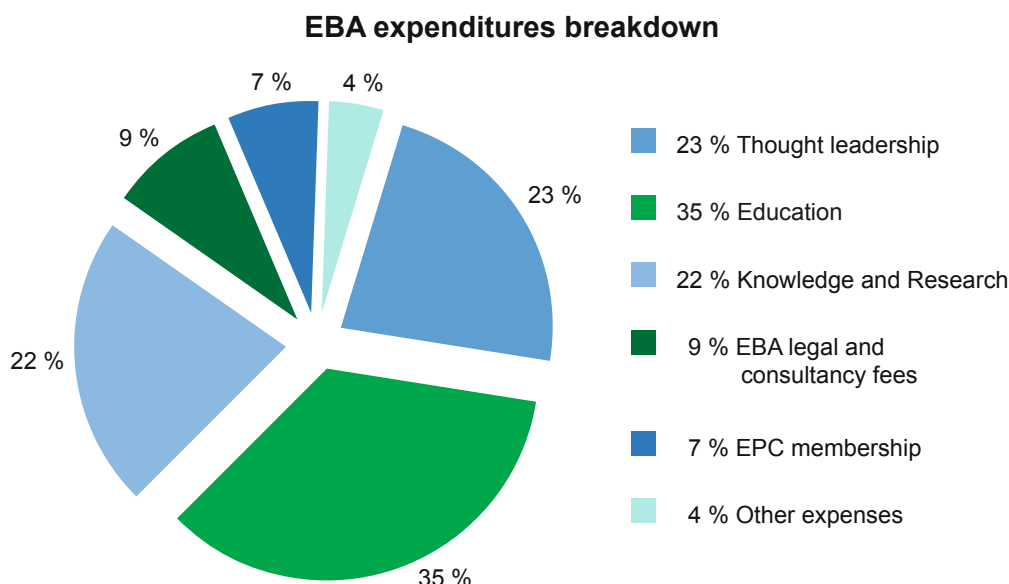
2.4.2 EBA Activities and Projects

The expenses related to the activities developed by the Association, namely thought leadership (i.e. EBAday, Business forums), education (Summer and Winter Schools) and research and analysis (EBA Working Groups and SMART) will result in a level of expenditures that will stand at EUR 610,000, which is 5% higher than the 2013 budget.

These expenses are composed as follows:

- ▶ The external relations, promotion, travel and meetings expenses are proposed to be kept at the level of the 2013 budget of EUR 200,000.
- ▶ The consultancy and legal fees are 16% lower than in the 2013 budget and stand at EUR 235,000.
- ▶ The EBA educational activities will be at EUR 160,000 with two seminars planned in 2014, i.e. the EBA Summer School in July and the EBA Liquidity Management Seminar in October. It should be noted that the EBA Winter School is planned for early 2015 and therefore does not appear in the 2014 budget.
- ▶ The EBAday item appears as a separate position in the 2014 budget; this activity will generate expenses for an amount of EUR 15,000.

The EPC Membership and other expenses stand respectively at EUR 46,000 and EUR 20,000. The latter contains bank fees, taxes and miscellaneous expenses that cannot be allocated to the activities of the EBA.



2.5 Projected revenues for 2014

In 2014, the Association will generate EUR 1,735,500 of revenues which is lower by EUR 195,000 than the 2013 actuals of EUR 1,930,017. The revenue diminution of the Association is induced by the decrease in the membership fee (from EUR 20,000 to EUR 17,500) agreed by the Board for full members; the educational activities and EBAday will record higher revenues compared to 2013.

Membership revenues

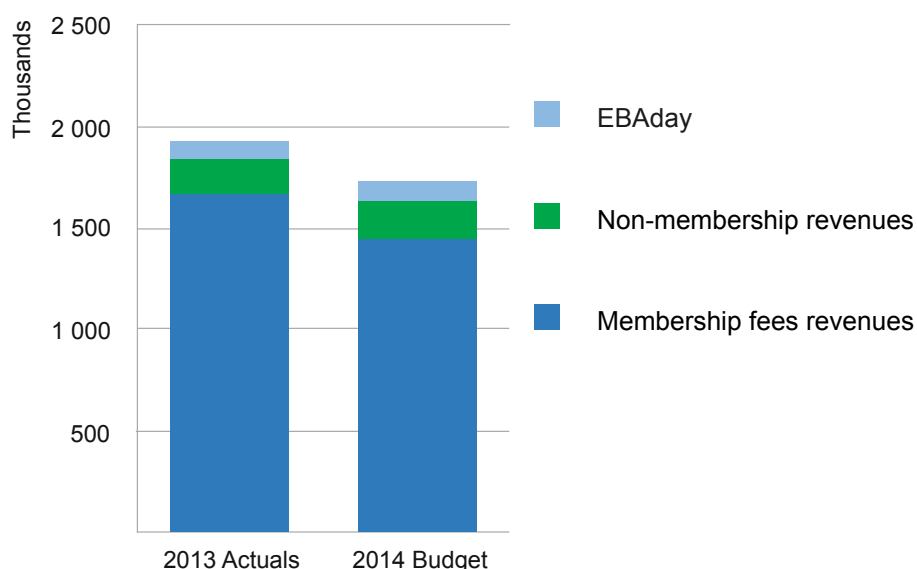
The fees generated by the members will be at EUR 1,447,500 compared to EUR 1,669,000 for 2013. The decrease of the membership fees is due to the reduction of the full member annual fee from EUR 20,000 in 2013 to EUR 17,500 in 2014. This reduction is feasible due to increases in non-membership revenues stemming from EBAday and the EBA Schools, as well as the revision of the Service Agreements between EBA CLEARING and EBA.

It should also be noted that in the 2014 budget, the number of full and user members will decrease compared to 2013. In 2014, it is expected that the number of full members will decrease from 68 to 65 and the user members from 93 to 85 due to mergers/acquisitions. Only the associate member community is expected to experience continued growth.

Non-membership revenues

In the 2014 budget, the revenues resulting from the EBA educational activities amount to EUR 180,000 for two planned seminars. EBAday will generate increased revenues; it is foreseen that the revenue will stand at EUR 100,000. The financial revenues are at EUR 8,000, coming mainly from the interests generated on deposits.

EBA revenues
2013 actuals - 2014 budget



APPENDIX 1

Accounts as of 31st December 2013

The accounts as of 31st December 2013 are attached separately.

APPENDIX 2

List of EBA Full Members (as of 20th May 2014)

ABN AMRO BANK
ALLIED IRISH BANKS
ALPHA BANK
BANCA MONTE DEI PASCHI DI SIENA
BANCA NAZIONALE DEL LAVORO
BANCA POPOLARE DI MILANO
BANCO BILBAO VIZCAYA ARGENTARIA
BANCO COMERCIAL PORTUGUES
BANCO ESPIRITO SANTO
BANCO POPOLARE
BANCO POPULAR ESPANOL
BANCO SABADELL
BANCO SANTANDER
BANK OF AMERICA
BANK OF CHINA
BANK OF IRELAND
BANK OF TOKYO-MITSUBISHI UFJ, LTD.
BANQUE ET CAISSE D'EPARGNE DE L'ETAT, LUXEMBOURG
BANQUE FEDERATIVE DU CREDIT MUTUEL
BANQUE INTERNATIONALE A LUXEMBOURG SA
BARCLAYS BANK
BELFIUS BANK SA/NV
BNP PARIBAS
BNP PARIBAS FORTIS
BPCE
BRED BANQUE POPULAIRE
CAIXABANK SA
CAIXA GERAL DE DEPOSITOS
CECABANK SA
CITIBANK
COMMERZBANK AG
CREDIT AGRICOLE

CREDIT DU NORD
DANSKE BANK
DEUTSCHE BANK AG
DEUTSCHE POSTBANK AG
DNB BANK ASA
DZ BANK AG
ERSTE GROUP BANK AG
EUROBANK ERGASIAS SA
HBSC BANK PLC
HSBC FRANCE
ING BANK NV
INTESA SANPAOLO SPA
JPMORGAN CHASE BANK NA
KBC BANK NV
KBL EUROPEAN PRIVATE BANKERS SA
LANDESBANK BADEN-WÜRTTEMBERG
LANDESBANK HESSEN-THÜRINGEN (HELABA)
LLOYDS BANK PLC
NATIONAL BANK OF GREECE SA
NATIXIS
NORDEA BANK FINLAND PLC
OTP BANK PLC
POHJOLA BANK PLC
RABOBANK NEDERLAND
RAIFFEISEN BANK INTERNATIONAL AG
ROYAL BANK OF SCOTLAND PLC
SKANDINAVISKA ENSKILDA BANKEN
SOCIETE GENERALE
STANDARD CHARTERED BANK
SVENSKA HANDELSBANKEN
SWEDBANK
UBS AG
UNICREDIT SPA
WELLS FARGO BANK NA

List of EBA User Members (as of 20th May 2014)

AKTIA BANK PLC
 ALLGEMEINE SPARKASSE OBERÖSTERREICH BANK AG
 ARBEJDERNES LANDSBANK
 BANCA AGRICOLA POPOLARE DI RAGUSA
 BANCA DEL FUCINO
 BANCA DELLE MARCHE SPA
 BANCA DI IMOLA SPA
 BANCA POPOLARE DEL LAZIO
 BANCA POPOLARE DELL'ALTO ADIGE
 BANCA POPOLARE DELL'EMILIA ROMAGNA
 BANCA POPOLARE DI SONDRIO
 BANCA POPOLARE DI SPOLETO
 BANCA POPOLARE DI VICENZA
 BANCA SELLA SPA
 BANCO BPI SA
 BANCO COOPERATIVO ESPANOL SA
 BANK BPH SA
 BANK FÜR TIROL UND VORARLBERG AG
 BANK OF ALAND PLC
 BANKA SLOVENIJE
 BANKINTER SA
 BANQUE MICHEL INCHAUSPE-BAMI
 BANQUE PALATINE
 BERENBERG BANK
 BHF-BANK AG
 BKS BANK AG
 BPOST SA DE DROIT PUBLIC
 BREMER LANDESBANK
 CAIXA CENTRAL DE CREDITO AGRICOLA MUTUO
 CAJA LABORAL POPULAR COOP. DE CREDITO
 CASSA DI RISPARMIO DELLA PROVINCIA DI CHIETI SPA
 CASSA DI RISPARMIO DELLA PROVINCIA DI TERAMO SPA
 CASSA DI RISPARMIO DI CESENA SPA

CASSA DI RISPARMIO DI FERMO SPA
CASSA DI RISPARMIO DI FERRARA SPA
CASSA DI RISPARMIO DI LORETO SPA
CASSA DI RISPARMIO DI RAVENNA SPA
CATALUNYA BANC, SA
CREDIT COOPERATIF
CREDIT MUTUEL ARKEA
CREDITO EMILIANO SPA
CREDITO VALTELLINESE
DANSKE ANDELSKASSERS BANK AS
DE NEDERLANDSCHE BANK
DEUTSCHE BUNDESBANK
DIBA BANK AS
DJURSLANDS BANK AS
EMIRATES NBD PJSC
EUROPE ARAB BANK
HAMBURGER SPARKASSE AG
HELLENIC BANK PUBLIC COMPANY LTD
ICCREA BANCA
ISTITUTO CENTRALE DELLE BANCHE POPOLARI ITALIANE
JYSKE BANK AS
KOOKMIN BANK INTERNATIONAL LTD.
KUTXABANK, SA
LA BANQUE POSTALE
LANDESBANK BERLIN AG
MASHREQBANK PSC
NCG BANCO SA
NORDJYSKE BANK AS
NORRESUNDBY BANK AS
OBERBANK AG
OESTERREICHISCHE NATIONALBANK
OLDENBURGISCHE LANDESBANK
RAIFFEISENLANDESBANK OBERÖSTERREICH AG
RAIFFEISEN-LANDESBANK TIROL AG
RAIFFEISEN LANDESBANK SÜDTIROL / CASSA CENTRALE RAIFFEISEN
DELL'ALTO ADIGE

RINGKJOEBING LANDBOBANK
S-BANK LTD
SECB SWISS EURO CLEARING BANK GmbH
SKJERN BANK
SPAR NORD BANK
SPAREKASSEN SJAELLAND
STEIERMÄRKISCHE BANK UND SPARKASSEN AG
SYDBANK AS
THE BANK OF NEW YORK MELLON, FRANKFURT BRANCH
UBI BANCA
UNIPOL BANCA SPA
VENETO BANCA SCPA
VESTFYNS BANK AS
VESTJYSK BANK
VTB BANK (DEUTSCHLAND) AG

List of EBA Associate Members (as of 20th May 2014)

ACCENTURE GmbH
ACI WORLDWIDE
ALLEVO
AURIGA SPA
AXWAY SOFTWARE
B+S BANKSYSTEME AG
CGI
CLEAR2PAY
CSC DEUTSCHLAND SOLUTIONS GmbH
DIAMIS
DION GLOBAL SOLUTIONS GmbH
DOVETAIL SYSTEMS LTD
EFIS AG
ENTERPRISE SPA
EQUENS SE
EXPERIAN LIMITED
FEDERATION OF FINNISH FINANCIAL SERVICES
FIDELITY NATIONAL INFORMATION SERVICES (NL) BV
FIRST DATA RESOURCES LIMITED
FISERV EUROPE LTD
FUNDTECH LTD
GEVA BUSINESS SOLUTIONS GmbH
IBM DEUTSCHLAND GmbH
INNOPAY B.V.
INTERCOPE INTERNATIONAL COMMUNICATION PRODUCTS ENGINEERING GmbH
LIPIS & LIPIS GmbH
LOGPAY FINANCIAL SERVICES GmbH
NETS A/S
NIKE CONSULTING SPA
POLARIS FINANCIAL TECHNOLOGY LTD
PPI AG INFORMATIONSTECHNOLOGIE

SAMLINK LTD
SENTENIAL LTD
SIA
SOFTWARE INTEGRATORS LTD
STET
SWIFT
SWISS POST POSTFINANCE
TAS SPA
TATA CONSULTANCY SERVICES
TEMENOS SYSTEMS UK
TIETO
VAN DEN BERG AG
VOLANTE TECHNOLOGIES, INC
XMLDATION OY



EURO BANKING ASSOCIATION

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