



BANCA D'ITALIA
EUROSISTEMA

Annual Accounts

Ordinary Meeting of Shareholders
Rome, 28 April 2016

122ND FINANCIAL YEAR

2015

Financial Year

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Address

Via Nazionale, 91 – 00184 Rome – Italy

Telephone

+39 0647921

Website

<http://www.bancaditalia.it>

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¹ Official Italian version.

MANAGEMENT REPORT AND ANNUAL ACCOUNTS

The Bank of Italy's annual accounts consist of the balance sheet, the profit and loss account and the notes to the accounts. Amounts are in euros in the official accounts and in thousands of euros in the tables of the notes. In accordance with the Bank's Statute, the accounts are accompanied by the management report, which is an integral part of the Bank's annual reporting.

The draft annual accounts are transmitted to the Ministry of Economy and Finance in accordance with Article 117 of Royal Decree 204/1910 (Consolidated Law on the Bank of Issue).

MANAGEMENT REPORT

The management report contains information designed to help readers better understand the work of the Bank. It illustrates the main risks to which the Bank is exposed in connection with its operations and the resources available. The report also describes the Bank's governance and management.

Further information on the functions, the activities and the administration of the Bank can be found on its website (www.bancaditalia.it).

Governance

According to the Bank's Statute, the central governing bodies responsible for the annual accounts are the Shareholders' Meeting, the Board of Directors, the Governing Board, and the Board of Auditors.

The Shareholders' Meeting appoints the members of the Board of Directors, approves the annual accounts and the distribution of the net profit, and appoints the internal auditing bodies and the independent auditing company.

The Board of Directors is chaired by the Governor and is responsible for the general administration, the management supervision, and the internal control of the Bank. Neither the members of the Board of Directors nor the shareholders may interfere in any matters or decisions relating to the exercise of the public functions assigned to the Governor and the Governing Board by law or by the Bank's Statute.

The Governing Board is a collegial body which adopts measures of external relevance concerning the exercise of the Bank's public functions, without prejudice to the Governor's powers and competencies as a member of the decision-making bodies of the European Central Bank (ECB). The Governing Board is made up of the Governor, the Senior Deputy Governor, and the three Deputy Governors.

The Board of Auditors oversees the administration of the Bank to ensure compliance with the law, the Statute, and the General Regulations. It also verifies that

the accounts are properly kept, examines the annual accounts, and expresses an opinion on the distribution of the net profit.

The draft annual accounts and the management report are approved by the Board of Directors, on a proposal from the Governing Board and having heard the Board of Auditors. They are then submitted to the Ordinary Meeting of Shareholders for approval, together with the Report of the Board of Auditors and that of the independent auditing company.

In accordance with Article 27 of the Statute of the European System of Central Banks (ESCB), the Bank's accounts are audited by an independent company, which issues a report on the financial statements for the year. The auditor appointed for the years 2010-15 is PricewaterhouseCoopers, which won the public tender announced by the Bank in 2009.

Background to Eurosystem monetary policy

The Bank's financial results, the movements in the balance sheet figures, and the risks to which the Bank is exposed are examined in relation to its institutional functions and especially to the decisions it takes within the context of Eurosystem monetary policy.

Decisions of the Eurosystem

In order to increase the effectiveness of targeted longer-term refinancing operations (TLTROs) in supporting bank lending to the non-financial private sector, in January 2015 the ECB Governing Council decided to eliminate for future operations the 10 basis point spread over the rate on main refinancing operations (MROs) applied to the first two TLTROs, which were settled in 2014. Accordingly, the interest rate for the TLTROs conducted in 2015 is equal to the rate on MROs prevailing at the time each TLTRO is settled. All the TLTROs mature in September 2018.

In view of the further downward risk for the inflation rate associated with the weakening of growth in the emerging countries, in December 2015 the Governing Council cut the interest rate on the deposit facility from -0.20 to -0.30 per cent. The interest rates on the main and the marginal refinancing operations were left unchanged for the whole of 2015 at the lowest levels ever recorded, respectively 0.05 and 0.30 per cent.

Throughout the year monetary policy operations were conducted in the form of fixed rate tender procedures with full allotment of the bid volumes. As the Governing Council announced in December 2015, this tool will continue to be used for as long as necessary and at least until the end of the last reserve maintenance period of 2017.

At its meeting in January 2015, the ECB's Governing Council approved the Expanded Asset Purchase Programme (APP), which encompasses not only the Covered Bond Purchase Programme (CBPP3) and the Asset-Backed Securities Purchase Programme (ABSPP) but also the Public Sector Purchase Programme (PSPP). It set combined monthly purchases under the APP at €60 billion and announced that the programme would run at least until

September 2016 and in any case until the path of inflation becomes consistent with the target rate of below but close to 2 per cent. For the PSPP, the Governing Council follows a country specialization scheme whereby each national central bank (NCB) purchases on the secondary market bonds issued by its own government.

In December 2015 the Governing Council decided to include among the public sector securities eligible for purchase under the PSPP also debt instruments issued by regional and local government agencies in the euro area. At the same time it extended the duration of the programme until the end of March 2017, or later if necessary.

At its meeting of 10 March 2016 the Governing Council reduced the interest rate on MROs and on marginal refinancing operations by 5 basis points, to 0.0 and 0.25 per cent respectively. At the same time the negative interest rate on the deposit facility was changed from -0.30 to -0.40 per cent. The Governing Council also decided to introduce a new set of four TLTROs (TLTRO II), each with a duration of four years; the interest rate will initially be equal to the rate on MROs prevailing at the time the amounts are allotted and may be reduced later to the same level as the negative rate on the deposit facility depending on the growth in lending to firms and households by the single counterparties (not including home mortgages). Lastly, the Governing Council extended the range of eligible securities under the APP to include investment grade bonds denominated in euros issued by non-bank companies in the euro area and also raised the amount of combined monthly purchases from €60 billion to €80 billion.

Rules on risk sharing in monetary policy operations

Generally, the risks associated with refinancing operations are shared. The ESCB Statute states that all Eurosystem credit operations with bank counterparties must be based on adequate collateral, in the form of the transfer of ownership or pledging of eligible financial assets.

The risks attached to securities purchased under the Securities Markets Programme (SMP), the ABSPP and the CBPP3 are shared among the Eurosystem NCBs according to their capital key. The risks associated with covered bonds purchased in the context of CBPP1 and CBPP2 are borne by the NCBs. Instead, in the case of the PSPP, the risks relating to public securities are borne by the single NCBs, while those of securities issued by European institutions are shared according to the capital key. The risk sharing system also applies indirectly to all the securities purchased by the ECB by virtue of the NCBs' participation in its capital and in its profits and losses.

Summary

The Eurosystem's exposure to monetary policy counterparties decreased during 2015. The volume of liquidity provided through refinancing operations dropped from €630 billion to €559 billion. The portion represented by longer-term operations, including TLTROs, rose from 75 to 84 per cent.

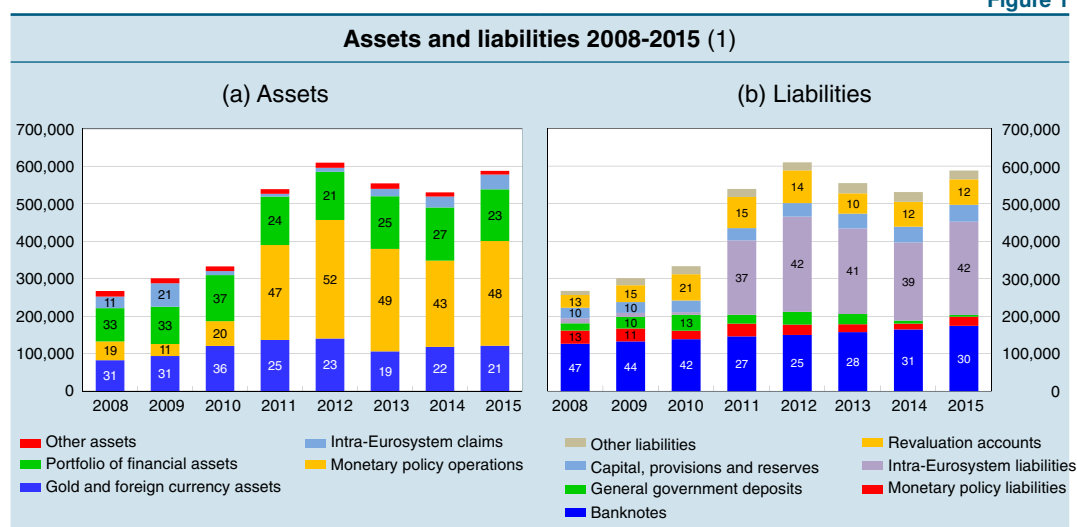
At 31 December 2015, the Eurosystem held securities to the value of €491.2 billion under the PSPP and €143.3 billion under the CBPP3 (against €29.6 billion in 2014).

Key developments in the Bank's annual accounts

The balance sheet

The Bank's balance sheet has grown considerably since 2008 as a result of the expansionary monetary policy enacted in the euro area to counter the effects of the financial crisis. On the asset side (Figure 1),¹ monetary policy operations (lending to credit institutions and purchases of public and private sector securities) have increased substantially, as has been the case for the other Eurosystem central banks. On the liability side, there has been a sharp rise (in both absolute and relative terms) in intra-Eurosystem liabilities relating to TARGET2.

Figure 1



(1) The values in the histograms are each component's percentage of the total; percentages below 10 are not shown.

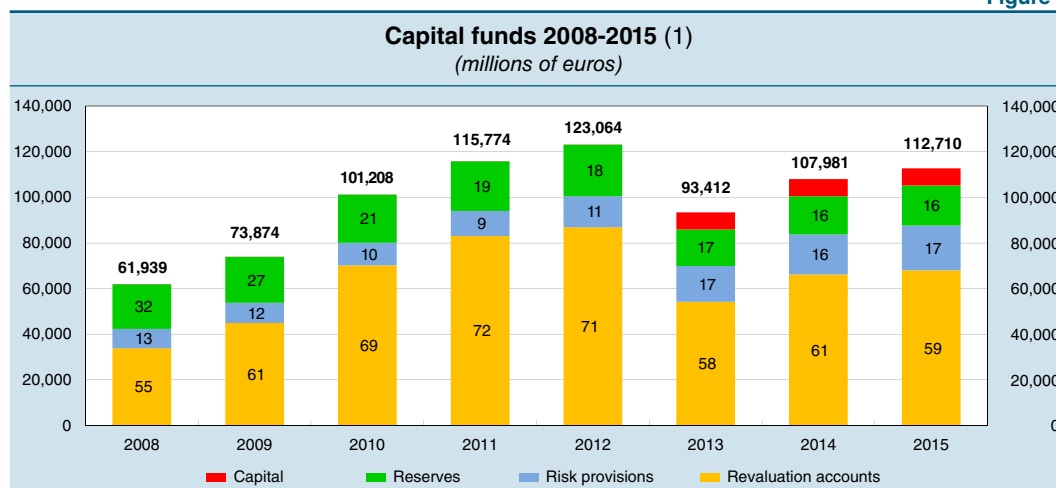
The Bank's capital funds² have grown in absolute value over the period 2008-15 as a result not only of the increase in the revaluation accounts but also of transfers to the provision for general risks (Figure 2) made above all in connection with the change

¹ The balance sheet is reclassified as follows: *Gold and foreign currency assets* include gold, securities and other assets denominated in foreign currency (Items 1, 2 and 3 on the asset side). *Monetary policy operations* include refinancing operations (Item 5 on the asset side) and securities held for monetary policy purposes (Item 7.1 on the asset side). The *Portfolio of financial assets* includes bonds, equity shares and other participating interests and other assets denominated in euros and foreign currency allocated to Items 4, 6, 7.2, 8 and 11.2 on the asset side; it also includes the participating interest in the ECB (Item 9.1 on the asset side). *Intra-Eurosystem claims* include net claims vis-à-vis the Eurosystem at Items 9.2, 9.3 and 9.4 on the asset side, while *Intra-Eurosystem liabilities* are listed at Items 9.1, 9.2 and 9.3 on the liability side. *Capital, provisions and reserves* include net equity and the provision for general risks. The net profit for the year is included under *Other liabilities*.

² The Bank's capital funds consist of capital, reserves, provisions, especially the provision for general risks, and the revaluation accounts. Allocations to reserves are made at the time of the distribution of net profit; allocations to provisions are transferred out of gross profits to offset the risks associated with the different sectors of operation on the basis of an overall evaluation of adequacy. The revaluation accounts include unrealized gains on gold, foreign currencies and securities not entered in the profit and loss account under income. These balances are used to offset the impact of possible unfavourable fluctuations in prices and/or exchange rates and therefore constitute a first capital buffer against the risks to which the Bank is exposed (see 'Legal basis, method of preparation and layout of the annual accounts').

in the size of the Bank's balance sheet and in its risk exposure within the Eurosystem. However, as a ratio of the balance sheet total, capital funds are below the value recorded in 2008. The capital increase that took place in 2013 drew on the statutory reserves and therefore did not entail any change in the Bank's capital funds.

Figure 2



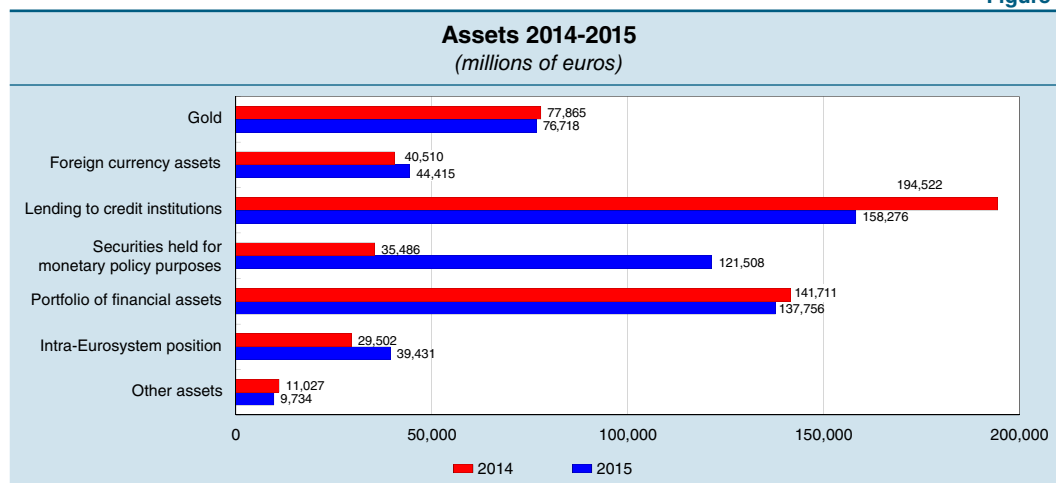
(1) The values in the histograms are each component's percentage of the total; percentages below 10 are not shown.

The total balance sheet is equal to €587.8 billion at the end of 2015, €57.2 billion more than in 2014 (€530.6 billion).

Monetary policy assets

The change in the asset side (Figure 3) can be ascribed chiefly to an increase in securities purchased for monetary policy purposes, which is offset only in part by a decrease in lending to euro-area credit institutions.

Figure 3



The portfolio of securities held for monetary policy purposes increases by €86 billion as a result of purchases made under the APP (Table 1). It is reduced by €5.1 billion owing to the redemption of securities purchased under the SMP, CBPP1

and CBPP2. As before, the ECB is the only purchaser of assets under the ABSPP in 2015.

Table 1

Securities held for monetary policy purposes (millions of euros)		
	31.12.2015	31.12.2014
SMP	19,987	23,403
PSPP	71,573	–
CBPP1	4,398	5,396
CBPP2	1,539	2,035
CBPP3	24,011	4,652
Total	121,508	35,486

In accordance with the decisions of the Governing Council of the ECB, all the securities acquired under the various monetary policy programmes are valued at amortized cost subject to impairment. They are therefore not subject to fluctuations in value associated with changes in interest rates. The annual impairment tests conducted at the level of the Eurosystem do not show evidence of any losses (see 'Notes on the items of the balance sheet' – *Monetary policy operations*). If all the securities held for monetary policy purposes are valued at end-of-year market prices, the portfolio amounts to €125.6 billion.

Refinancing operations are down from €194.5 to €158.3 billion. Main refinancing operations are down by €7 billion and longer-term refinancing operations (LTROs) by €29.2 billion. In the latter case this is mainly due to the repayment in full of the two three-year LTROs conducted in previous years and amounting to €87 billion, which is only partially offset by allocations of €60.3 billion for the new TLTROs. The volume of liquidity provided to Italian counterparties is also down slightly in relation to the euro-area total, from 31 to 28 per cent.

A further contribution to the growth in the Bank's assets comes from the increase of €9.9 billion in its position with the Eurosystem, which is entirely due to the rise in claims relating to the allocation of euro banknotes.

Other financial assets

Ownership of the country's official reserves (gold and claims on non-euro-area residents denominated in foreign currency) is assigned to the Bank of Italy by the Treaty on the Functioning of the European Union and the Statute of the ESCB. Management of the reserves makes it possible to service the Italian Republic's foreign currency debt and meet its commitments to international organizations such as the IMF. In addition, the nation's official reserves are an integral part of the Eurosystem's reserves: their overall level and proper management help to safeguard its credibility. The foreign currency reserves are managed primarily with the aim of guaranteeing high levels of liquidity and security while also seeking to maximize the long-term expected yield. The Bank also manages a part of the reserves transferred to the ECB in accordance with the guidelines laid down by the Governing Council.

The item *Gold and net foreign currency assets*, the composition of which is shown in Table 2, includes the official reserves plus other claims on euro-area residents denominated in foreign currency held by the Bank, net of foreign currency liabilities.

Table 2

Gold and net foreign currency assets (1) (millions of euros)		
	31.12.2015	31.12.2014
Gold	76,718	77,865
US dollars	21,921	19,789
Pounds sterling	3,530	3,305
Japanese yen	4,447	3,761
Australian dollars	1,370	1,344
Canadian dollars	926	1
Chinese renminbi	187	85
South Korean won	89	—
Other currencies	3	5
Net assets vis-à-vis the IMF (including SDRs)	3,196	3,989
Total	112,387	110,144

(1) Valued at market exchange rates and prices. The figures do not include financial assets denominated in foreign currency representing the investment of ordinary and extraordinary reserves, provisions and other capital funds, as they constitute a separate foreign currency position.

At 31 December 2015, gold and net foreign currency assets amount to €112.4 billion, compared with €110.1 billion a year earlier. The increase is due to movements in exchange rates, notably of the US dollar, which are offset only in part by the drop in the price of gold (down by 1.47 per cent, leading to a decrease of €1.1 billion in the value of the stock).

The Bank also holds a financial portfolio (Table 3) containing, among other things, investments of provisions, reserves and the pension and severance pay provision. In compliance with the ban on the monetary financing of member states and euro-area public institutions, the securities of such issuers are not acquired at issue. No investments are made in shares of banks and insurance companies.

Table 3

Composition of the financial portfolio (millions of euros)		
	31.12.2015	31.12.2014
Government securities	123,009	122,544
Other bonds	3,107	3,182
Equity shares and other participating interests	7,243	6,707
ETFs and shares/units of UCITS	2,963	2,987
Total	136,322	135,420

At the end of 2015, the book value of the portfolio is €136.3 billion (€135.4 billion in 2014). The portfolio is invested mainly in bonds, especially Italian and other euro-area government securities, while the part invested in equities consists primarily of listed shares. The Bank has continued to rebalance its share portfolio to bring it into line with the approved investment policy; for the part consisting of shareholdings

in companies headquartered in the euro area, the Bank has duly updated the basket chosen to replicate the reference stock market index. The bulk of the portfolio (87 per cent) consists of securities held to maturity and is therefore valued at amortized cost subject to impairment. If all listed financial instruments are valued at end-of-year market prices, the portfolio is worth €154.3 billion.

At 31 December 2015 there are no outstanding investments in euro-denominated instruments associated with the Eurosystem Reserve Management Services (ERMS),³ which amounted to €4.8 billion at the end of 2014.

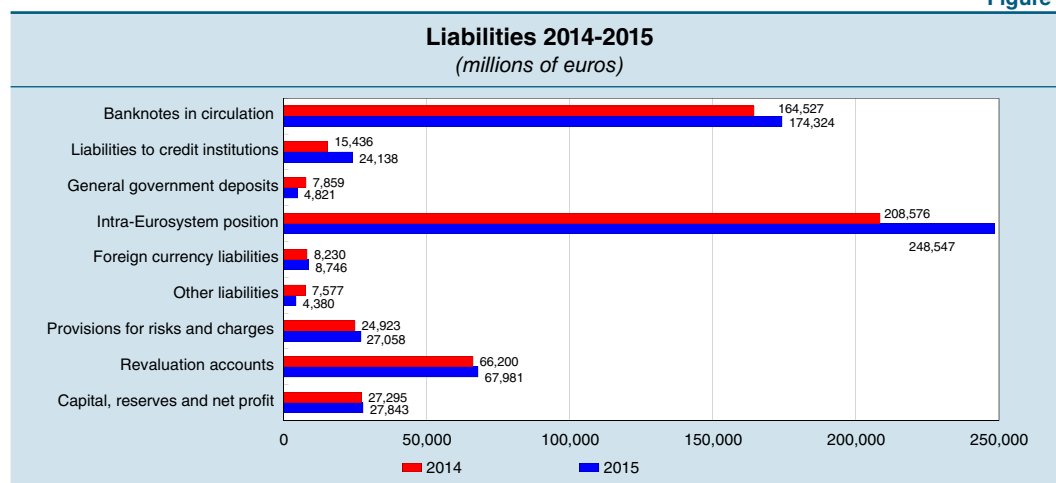
The Bank's net investments not relating to monetary policy, which are governed by a specific agreement at the Eurosystem level (Agreement on Net Financial Assets – ANFA⁴), total €134.9 billion at the end of 2015, compared with €136.2 billion a year earlier. They include gold, net foreign currency assets and euro-denominated securities and are computed net of liabilities not relating to monetary policy operations.

The Bank also manages the investments of the defined-contribution pension fund for staff hired after 28 April 1993. The fund constitutes a separate asset for administrative and accounting purposes. Its investments and earmarked funding contributions are included in the Bank's balance sheet. Investments are made observing benchmarks. Returns on assets and their composition are measured daily. At 31 December 2015 the fund's total assets and liabilities in the Bank's balance sheet amount to €0.4 billion.

Liabilities

On the liability side (Figure 4), there is an increase in the Bank's debit balance with the TARGET2 payment system, part of its intra-Eurosystem position (up by €40 billion). The deposits of credit institutions are up by €8.7 billion and the share

Figure 4



³ The Eurosystem NCBs can offer these services to central banks and government bodies of non-euro countries and to international organizations, within a framework of harmonized terms and conditions.

⁴ ANFA is an agreement drawn up to regulate investments made by the NCBs that do not interfere with the objectives of monetary policy. Further information can be found on the Bank's website and on that of the ECB.

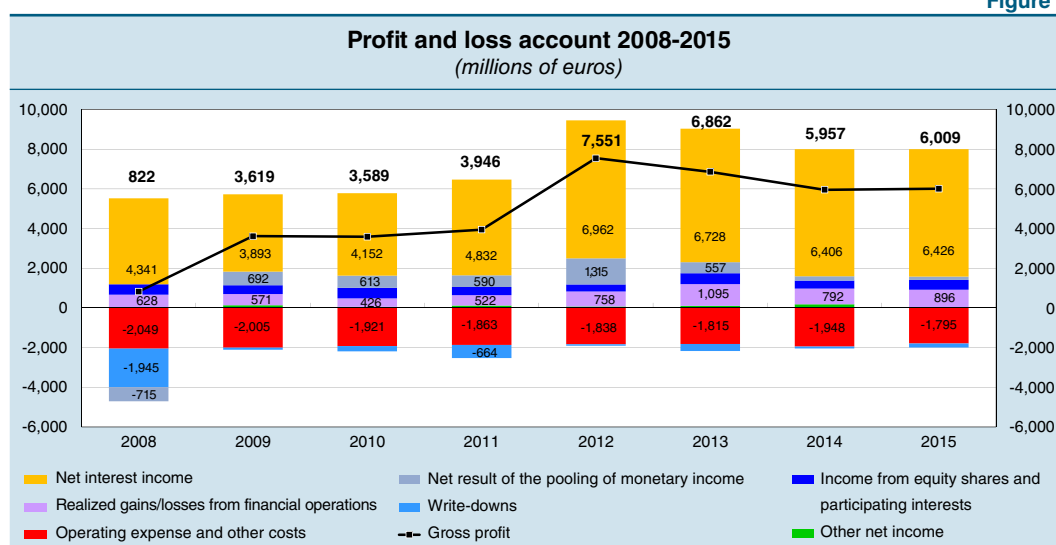
of banknotes in circulation by €9.8 billion. There is an increase of €1.8 billion in revaluation accounts owing to the rise in the value of foreign currency assets, which more than offsets the drop in the value of the gold reserves.

General government deposits are down by €3 billion and, under other liabilities, there is a reduction of €3.2 billion in the volume of funds managed as part of the ERMS.

The profit and loss account

The growth of the Bank's balance sheet in recent years is reflected in gross profit (Figure 5).⁵

Figure 5



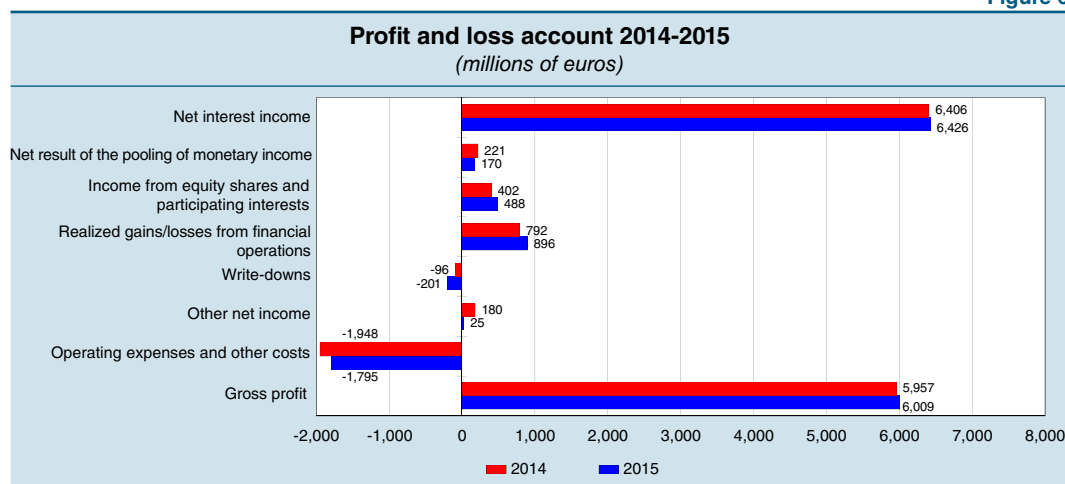
The year 2015 closes with a net profit of €2,797 million compared with €2,998 million in 2014. Gross profit (Figure 6) before tax and transfers to the provision for general risks is equal to €6,009 million (€5,957 million in 2014).

Net interest income is up slightly with respect to the previous year (by €20 million). The reduction in interest income from refinancing operations is entirely offset by that in interest expense on intra-Eurosystem balances. Income from securities is virtually unchanged from the previous year: the negative effect of the decrease in the average yield, particularly from securities held for monetary policy purposes, is offset by a substantial increase in stocks following the launch of the PSPP and further purchases under the CBPP3.

⁵ The profit and loss account is reclassified as followed: *Net interest income* includes interest income and interest expense under Items 1 and 6.1 of the profit and loss account. *Income from equity shares and participating interests* includes dividends and income from ETFs and shares/units of UCITS (Items 4, 6.2 and 6.5). *Gain/losses on financial operations* include income and expense under Items 2.1 and 6.3; *Write-downs* are entered under Items 2.2 and 6.4. *Other net income* includes the amounts under Items 3, 7, 8 and 11. *Operating expense and other costs* include the amounts under Item 9.

The net result for the Bank of the pooling of monetary income is down by €51 million. In 2014 the result was reduced significantly by the recalculation of amounts pertaining to previous years (for further details and information regarding monetary income, see 'Notes on the items of the profit and loss account' – *Net result of the pooling of monetary income*).

Figure 6



Income from equity shares and participating interests is up by €86 million, mainly as a result of the larger dividend paid by Fondo Strategico Italiano (FSI). Gains on financial operations increase by €104 million, most of which owing to larger gains on foreign currency assets.

Gross profit is negatively affected by the €105 million increase in write-downs associated with the depreciation of assets denominated in Canadian dollars. Other net income decreases by €155 million with respect to 2014 when a significant contribution came from extraordinary income. Operating expense and other costs are down by €153 million (see 'Operating expense and other costs').

The provision for general risks, which covers the Bank's overall exposure to risk, is increased by €2,200 million to accommodate the expansion of the balance sheet and the increase in risk exposure associated with the programmes of public and private sector securities purchases for monetary policy purposes progressively rolled out from October 2014 on and recently expanded.

Taxes for the year amount to €1,012 million (€1,159 million in 2014).

Out of the net profit of €2,797 million, €300 million is allocated to the ordinary reserves, the shareholders are assigned a dividend of €340 million, and €2,157 million is transferred to the State (see 'Proposals of the Board of Directors').

Internal audit and risk management system

The Bank of Italy's internal control system is based on a functional approach in which each organizational unit is responsible not only for its own controls and for the management of its risk exposure but also for its results in terms of effectiveness and efficiency.

Specific types of risk (financial, operational, accounting, fiscal, IT, legal, and workplace health and safety) are also monitored by means of further targeted controls based on proportionality, in which the extent of the control is commensurate to the potential risk, and on a comprehensive and transversal approach.

The audit function has the task of systematically verifying the adequacy of internal controls and of promoting continuous improvement to increase the effectiveness, efficiency and security of all operational processes. It works independently and is subject to external periodical review, in compliance with international standards. It also conducts reviews within the context of the ESCB or on behalf of the ECB.

An advisory committee on internal auditing has been set up to strengthen the system of controls and the independence and objectiveness of the internal audit function. It provides advice and support to the Board of the Directors and the Governor on matters concerning the oversight of the internal audit system; it also issues opinions on internal audit policy and on the annual audit plan.

Financial risk

The Bank of Italy manages financial risk on an integrated basis, taking into account the links between the various risk factors, notably between credit risk and market risk.

Financial risk stems chiefly from management of the foreign currency reserves and securities portfolio and from assets held for monetary policy purposes. The Statute of the ESCB provides that the risk attached to the latter assets may be shared with the other euro-area NCBs according to their contributions to the capital of the ECB.

An ad hoc advisory committee assists the decision-making bodies of the Bank on issues concerning financial risk and investment strategy. It issues opinions on policy lines and on proposals concerning the limits of financial risk and asset allocation; it also provides an important link between financial decisions and the performance of the balance sheet, particularly in a medium- and long-term perspective.

Financial risk is measured using a methodology very similar to the one developed by the Eurosystem, with some minor adaptations to ensure it conforms more closely with the specific character of the Bank. The methodology proposes an analysis from two separate and independent viewpoints: financial and accounting. The first assesses risk exposure without considering the accounting rules that govern the balance sheet items and evaluates its impact on the aggregate capital of the Bank. The second method, which is used for assessments relating to the size of the capital buffers, instead estimates the impact of risk exposure on the profit and loss account taking into consideration Eurosystem accounting rules. It is a very conservative system of measurement that provides an estimate of potential losses characterized by low probability and high impact (expected shortfalls).

Credit risk. – Exposure to credit risk is associated with monetary policy operations, holdings of foreign currency reserves, and investment in a portfolio of euro-denominated securities.

The financial risk associated with monetary policy operations has become the focus of increasing attention in recent years following the adoption of unconventional measures and the roll out of public and private securities purchase programmes.

The risk control measures introduced by the ECB Governing Council are designed to reduce the risk of financial losses when collateral assets are realized if the counterparties prove unable to repay the financing obtained. Under the rules on risk mitigation and management, assets eligible as collateral must be of high credit quality, collateral should be valued accurately and on a daily basis, and special control measures must be applied, such as haircuts and variation margins. There are virtually no changes during 2015 to the rules on assets eligible for use as collateral in refinancing operations, allowing counterparties to tap a broad range of collateral despite the banking system's reduced demand for liquidity. Within the ECB's collateral framework the Bank of Italy allows counterparties to use bank loans, including mortgage loans to households, as collateral in refinancing operations.

In the case of the programmes of securities purchases for monetary policy purposes, in addition to the high credit quality requirement specific limits are placed on issues and issuers and account is taken of the Eurosystem's periodical credit risk assessment.

The Bank monitors and mitigates the credit risk attached to foreign currency reserves and the financial portfolio by rigorously selecting the types of investment and counterparties according to creditworthiness, which is assessed on the basis of credit ratings and market information. It also sets category and individual exposure limits that are monitored daily.

Market risk. – In the balance sheet, market risk affects assets valued at current prices and exchange rates (foreign currency reserves and securities not held to maturity). Market risk encompasses exchange rate risk, commodity risk (gold) and share price risk, as well as yield curve risk. Market risk is measured and monitored using several indicators: (a) the elasticity of the bond portfolio to interest rate fluctuations (duration); (b) the maximum potential loss estimated over a year for the long-term and short-term components (structural VaR and cyclical VaR) and separately for the various classes of financial assets and for different portfolios; and (c) the loss in the event of highly adverse market developments with low probability (expected shortfall).

The market risk attached to foreign currency reserves stems from the volatility of the price of gold and of the exchange rates of the principal currencies. According to the Eurosystem's accounting rules, revaluation accounts mitigate the impact on the profit and loss account of fluctuations in the prices of the relative assets.

Securities purchased for monetary policy purposes are valued at amortized cost subject to impairment. Their book value, therefore, does not fluctuate in response to changes in interest rates. Most of the remainder of the Bank's portfolio of euro-denominated securities is held to maturity and is also valued at amortized cost subject to impairment. Shares, which instead are mainly classified as temporary investments, change in value as a consequence of price fluctuations.

The exchange rate risk of foreign currency assets held as investments of own funds is hedged through foreign exchange forward sales.

Liquidity risk. – The Bank of Italy is only exposed to liquidity risk associated with potential market tensions that make it difficult to dispose of assets at current prices. The liquidity of the financial instruments in which it invests is normally very high. The liquidity risk of the foreign currency reserves is managed by applying extremely prudent criteria in the selection of financial instruments and counterparties, with tight restrictions on the maturity of bank deposits, bank paper and commercial paper, and on acquisitions of individual issues.

Financial risk in 2015. – At the end of 2015, the overall exposure to credit and market risk, measured using the above-mentioned methodology, is assessed as greater than at the end of 2014. Market risk is less but credit risk is higher.

The growth in credit risk associated with unconventional monetary policy operations in 2015 is due to the Bank's increased exposure following the launch of the PSPP. The risk stemming from the programme is mitigated by complying with specific requirements as to the eligibility of the assets purchased. The ECB Governing Council has decided to purchase securities that meet the eligibility standards established for Eurosystem monetary policy operations.

Operational risk

The Bank has in place a system for integrated operational risk management (ORM) in which each organizational unit assesses its own risk exposure in relation to the adequacy of existing safeguards. The Operational Risk Committee assists the Governing Board in promoting and coordinating measures and in monitoring their implementation and inclusion in the yearly planning process.

Operational risk is also quantified in terms of its potential financial impact using an internal AMA (Advanced Measurement Approach) model similar to the ones that prudential regulations require banks to adopt.

Banknote production and circulation

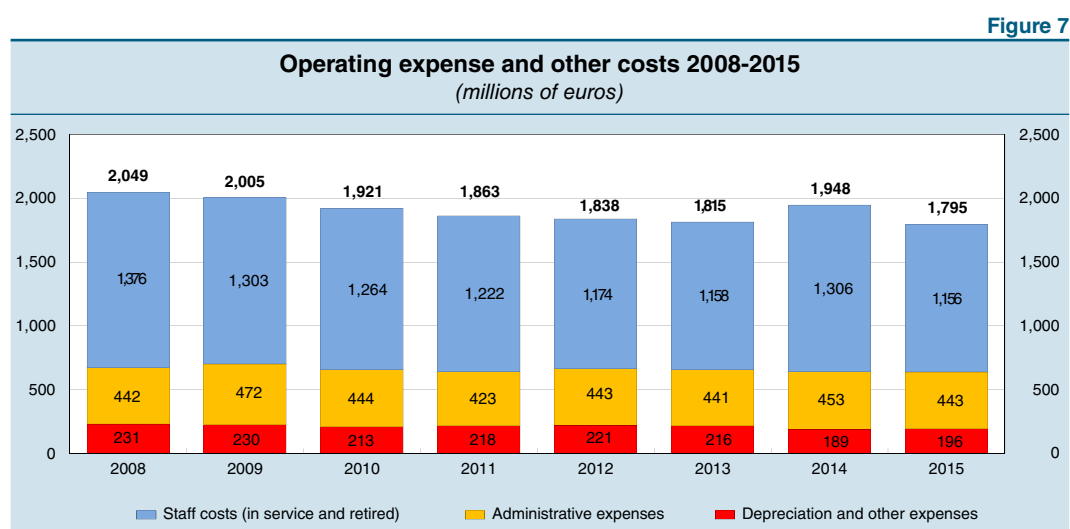
The Bank contributes to meeting the Eurosystem's demand for banknotes via its banknote printing facility and participates in the development of the new series. It also assists in drafting common guidelines for the quality of notes in circulation and in preparing measures against counterfeiting. In 2015, a total of 1,271 million banknotes were produced, in denominations of €20 and €50 for the second series and of €50 for the first series. This is the second largest volume since the introduction of the euro in 2002 and represents an increase of more than 9 per cent from the previous year. The Bank's printing facility, as R&D main test-print centre for the Eurosystem, has made a particularly important contribution, undertaking numerous applied R&D projects on behalf of the ECB. In 2016 production volumes will reflect the larger quota assigned

to the Bank (9 per cent more than in 2015) and include the remainder of the share pertaining to 2015; the backlog is due primarily to delays in rolling out the new series of euro banknotes, requiring the ECB to draw up a new production plan.

The Bank's branches play an important role in meeting the demand for banknotes and in ensuring that the quality of those in circulation remains high. In 2015, a total of 2.7 billion banknotes went into circulation, for a value of €91.1 billion. The return flow to the Bank amounts to 2.5 billion banknotes, worth €91.2 billion. Some 2.5 billion notes were checked and 0.9 billion withdrawn from circulation.

Operating expense and other costs

Total costs are down by €153 billion in 2015. More specifically, the decline in staff costs is chiefly the result of changes in allocations to the staff pension and severance pay fund. Administrative expenses are also down as the costs incurred in the previous year in connection with the asset quality review required by the ECB for the launch of the Single Supervisory Mechanism (SSM) in the euro area are no longer present. Part of that reduction is set against the rise in costs for the purchase of raw materials and materials for banknote production. The trend and composition of operating expense and other costs during the period 2008-15 are detailed in Figure 7.



Organizational reforms, simplified and rationalized work rules and processes, and improvements and innovations in IT resources have countered the impact on costs of the Bank's increased commitments. These have expanded in connection with the monetary policy measures adopted in the wake of the financial crisis and with the launch of the SSM and also following the expansion of the facilities offered by the Banking and Financial Ombudsman to safeguard users of banking services.

At 31 December 2015 the Bank's employees total 7,032: 4,546 working at Head Office and 2,486 at branch offices. Managers and officers account respectively for 8.8 and 21.3 per cent of the personnel. The staff's average age is 49 years and 36.1 per cent of the Bank's employees are women. The total number of staff is down by 46 compared

with the end of 2014. There are 168 new appointments, of which 59 per cent hold a university degree. Terminations total 214, the largest number since the introduction of new legislation on retirement; they are up 13 per cent compared with 2014 and 10 per cent compared with 2013.

Table 4

Composition of the Bank's staff										
	At 31.12.2015					At 31.12.2014				
	Men	Women	Total	At branches	At Head Office (1)	Men	Women	Total	At branches	At Head Office (1)
Managers	463	153	616	123	493	460	153	613	139	474
Officers	945	553	1,498	391	1,107	944	535	1,479	393	1,086
Coadjutors	893	557	1,450	480	970	850	558	1,408	495	913
Other	2,194	1,274	3,468	1,492	1,976	2,288	1,290	3,578	1,541	2,037
Total	4,495	2,537	7,032	2,486	4,546	4,542	2,536	7,078	2,568	4,510

(1) Includes members of the staff assigned to the Financial Intelligence Unit and the representative offices abroad and those seconded to other organizations.

During the year, 5,553 members of staff underwent training, that is 79 per cent of the total or 84.5 per cent including on-the-job training, for a total of 183,363 hours of training, equal to 33 hours per person. A large part of the specialist training carried out during the year has covered topics relating to the SSM.

Administrative expenses incorporate a wide range of costs (raw materials and materials for banknote production, security services and transport of valuables, participation in TARGET2 and TARGET2-Securities, IT, property maintenance; for details see 'Notes on the items of the profit and loss account' – *Expenses and charges*). Although movements in these components vary from year to year, over the period 2008-15 their total amount is generally stable.

Total expenditure on IT resources is virtually unchanged from the previous year. In 2015 some major projects, including the new platform for the centralized settlement of securities transactions in the euro area, TARGET2-Securities, have come to an end, while progress continues on a number of other projects, such as updating the TARGET2 system and improving IT procedures for the branch network.

Expenditure on property maintenance is up on the previous year as the Bank continues its long-term plan to renovate and upgrade several buildings in the Rome area. The plan re-allocates the premises among the various head office departments and may entail some buildings being re-assigned to different uses or sold off. Efforts continue to ensure the business continuity of the Bank's essential infrastructure, to verify that all buildings comply with fire precautions legislation and that premises located in areas where there is a high risk of earthquakes meet anti-seismic requirements. Regarding security, the plan to replace the existing systems has been amended to take account of the changes to the branch network.

Depreciation and other expenses are progressively decreasing despite a small rise in 2015. This is partly due to an increase in the depreciation of intangible fixed assets connected with the launch of TARGET2-Securities.

Other information

The Bank's new role as National Resolution Authority

Legislative Decree 180/2015 transposes Directive 2014/59/EU on the recovery and resolution of credit institutions and investment firms (the Bank Recovery and Resolution Directive, BRRD). The Decree regulates different aspects of the resolution of banks in financial difficulty and sets out the powers and functions of the Bank of Italy, which has been designated National Resolution Authority (NRA).

The Decree allows the Bank or other institutions to set up one or more resolution funds. These will be financed mainly by ordinary and extraordinary contributions from credit institutions and investment firms⁶ and will provide the NRA with the necessary financial resources to carry out resolutions.

The Bank has accordingly established a Resolution and Crisis Management Unit reporting directly to the Governing Board. Its function is to draft and implement resolutions; its operating and administrative costs figure among those of the Bank.

On 18 November 2015 the Bank issued a measure instituting the National Resolution Fund. The Fund has its own capital which is independent and separate from that of the Bank and of its contributors. To ensure the necessary transparency vis-à-vis the public, the Fund will issue an annual report, audited by the same independent auditing company as the Bank's annual accounts and to be published at the same time.

Further information on the role and activity of the Resolution and Crisis Management Unit can be found on the Bank's website.

Reorganization of the branch network

On 30 March 2015 the Board of Directors approved a plan to reorganize the branch network with a view to improving the quality of services to the public and reducing running expenses. The plan envisages greater involvement of the largest branches in the Bank's institutional activities and the progressive closure, by mid-January 2016, of 19 branches with limited activity and 3 detached supervision units. These 22 branches and units, which employed about 350 staff before the reorganization, are temporarily replaced by territorial service units, some of which will be closed by the end of September 2016 and the remainder in the course of 2018.

Throughout 2016 the branches will see their tasks increase in a number of areas, including consumer protection of bank customers and financial education, prudential supervision of non-bank financial intermediaries, assessment of credit claims eligible for monetary policy operations, money supply, and monitoring of professional cash handlers.

⁶ The resources can come from (a) loans and other forms of financial support where ordinary contributions are not enough to cover the losses and the costs incurred in achieving the goals of the resolution, or where extraordinary contributions are insufficient or not readily available; and (b) sums paid in by the entity undergoing resolution or by the bridge entity, or interest income and other revenue from its investments.

Environmental policy and workplace health and safety

A new environmental policy document was approved in 2015. It sets out the Bank's objectives for sustainable use of resources, optimum waste management, sustainable mobility, 'green' procurement, and promoting environmental awareness. The Environment Report is available on the Bank's website. It describes the Bank's ecological footprint and the main measures adopted in 2015 to reduce its environmental impact. A number of changes have been made regarding workplace health and safety in the branch network to accommodate the transformation of the 19 branches into territorial service units.

The Bank remains strongly committed to carrying out training for production and administrative workers and managerial staff as stipulated in the recent agreement between central government and regional authorities.

Accidents in the workplace total 29 in 2015, a figure that is again low in relation to the number of Bank staff. This statistic is part of a steady downward trend under way for the last ten years.

Disclosure of relations with subsidiary and associate companies

The Bank of Italy is the sole shareholder in Società Italiana di Iniziative Edilizie e Fondiarie (SIDIEF), a real estate company whose main activity is the management and rental of its own properties. The Bank exercises a role of direction and coordination with respect to the subsidiary, principally regarding its corporate strategy, but it does not interfere in areas of operational autonomy. An ad hoc agreement regulates relations between the Bank and SIDIEF, sets out the rental policies applying to employees and third parties, and lists the properties for mutual benefit. In 2015 SIDIEF's renovation expenses and additional costs amount to €0.4 million for properties leased free of charge to the Bank, which bears the cost.

At 31 December 2015 the Bank's share in the capital of Fondo Strategico Italiano (FSI) amounts to 20 per cent, with a book value of €919 million, and consists of one third of ordinary shares and two thirds of preference shares. The shareholding was acquired in 2013 in exchange for the Bank's interest in Assicurazioni Generali SpA. Under the agreement signed in 2012 with FSI and its parent company Cassa depositi e prestiti SpA, FSI undertakes to sell its entire shareholding in Generali at market price by 31 December 2015 and then to redeem the Bank's preference shares, subject to the exercise by the Bank of the right of withdrawal. In 2015, FSI put its Generali share package on the market. The Bank then formally exercised its right of withdrawal for the preference shares.

Post-balance-sheet events

The Bank increased its share in the IMF at the beginning of 2016 on the basis of the parliamentary approval granted in 2012. Accordingly, Italy's share is up from SDR7.9 billion to SDR15.1 billion (see 'Notes on the items of the profit and loss account' – *Gold and foreign currency assets and liabilities*).

The Bank's new Statute has been approved by Decree of the President of the Republic issued on 15 February 2016. Shareholdings in the Bank are to be dematerialized and from 2016 approval of the annual accounts by the Ordinary Meeting of Shareholders is brought forward to the end of April.

Compared with the end of 2015, at end-March 2016 the US dollar and the pound sterling have depreciated against the euro from \$1.0887 to \$1.1385 and from £0.7340 to £0.7916, while the yen, the Canadian dollar and the Australian dollar have risen respectively from ¥131.07 to ¥127.9, from C\$1.5116 to C\$1.4738 and from A\$1.4897 to A\$1.4807.

ANNUAL ACCOUNTS

BALANCE SHEET			
ASSETS	NOTE	Amounts in euros	
		31.12.2015	31.12.2014
1 GOLD AND GOLD RECEIVABLES	[1]	76,718,154,604	77,864,640,607
2 CLAIMS ON NON-EURO-AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY	[1]	43,202,004,549	39,268,754,714
2.1 Claims on the IMF		11,566,633,733	11,830,627,785
2.2 Securities		26,370,614,392	25,130,606,429
2.3 Current accounts and deposits		3,862,484,430	1,370,619,023
2.4 Reverse operations		1,395,517,590	931,540,881
2.5 Other claims		6,754,404	5,360,596
3 CLAIMS ON EURO-AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY	[1]	1,213,119,514	1,241,162,372
3.1 Financial counterparties		1,213,119,514	1,241,162,372
3.1.1 <i>Securities</i>		547,209,564	532,584,926
3.1.2 <i>Reverse operations</i>		—	—
3.1.3 <i>Other claims</i>		665,909,950	708,577,446
3.2 General government		—	—
3.3 Other counterparties		—	—
4 CLAIMS ON NON-EURO AREA RESIDENTS		1,521,207,653	1,515,529,252
4.1 Claims on EU central banks		—	—
4.2 Securities	[4]	1,521,022,267	1,515,443,919
4.3 Other claims		185,386	85,333
5 LENDING TO EURO-AREA CREDIT INSTITUTIONS RELATING TO MONETARY POLICY OPERATIONS	[2]	158,275,980,000	194,521,780,000
5.1 Main refinancing operations		18,728,000,000	25,743,200,000
5.2 Longer-term refinancing operations		139,547,980,000	168,778,580,000
5.3 Fine-tuning reverse operations		—	—
5.4 Structural reverse operations		—	—
5.5 Marginal lending facility		—	—
5.6 Credits relating to margin calls		—	—
6 OTHER CLAIMS ON EURO-AREA CREDIT INSTITUTIONS	[3]	100,969,841	4,958,737,740
7 SECURITIES OF EURO-AREA RESIDENTS		207,682,273,765	117,615,085,195
7.1 Securities held for monetary policy purposes	[2]	121,507,952,093	35,486,124,342
7.2 Other securities	[4]	86,174,321,672	82,128,960,853
8 GENERAL GOVERNMENT DEBT	[4]	14,214,809,553	14,349,351,206
9 INTRA-EUROSISTEM CLAIMS	[5]	40,763,256,989	30,834,456,509
9.1 Participating interest in the ECB		1,332,644,970	1,332,644,970
9.2 Claims arising from the transfer of foreign reserves to the ECB		7,134,236,999	7,134,236,999
9.3 Net claims relating to the allocation of euro banknotes within the Eurosystem		32,296,375,020	22,367,574,540
9.4 Other claims within the Eurosystem (net)		—	—
10 ITEMS IN COURSE OF SETTLEMENT		11,418,470	3,994,693
11 OTHER ASSETS	[6]	44,134,090,092	48,449,634,525
11.1 Euro-area coins		144,326,815	132,513,029
11.2 Securities relating to the investment of reserves and provisions	[4]	34,411,765,143	37,426,146,165
11.3 Intangible fixed assets		99,812,868	92,317,311
11.4 Tangible fixed assets		2,284,342,958	2,394,974,673
11.5 Accruals and prepaid expenses		3,252,022,628	3,795,030,658
11.6 Deferred tax assets		2,714,975,615	3,184,080,544
11.7 Sundry		1,226,844,065	1,424,572,145
TOTAL		587,837,285,030	530,623,126,813

THE ACCOUNTANT GENERAL: PAOLO MARULLO REEDTZ

THE GOVERNOR: IGNAZIO VISCO

Audited and found correct.

THE BOARD OF AUDITORS: LORENZO DE ANGELIS, GIAN DOMENICO MOSCO, ANGELO RICCABONI, SANDRO SANDRI, DARIO VELO

BALANCE SHEET			
LIABILITIES	NOTE	Amounts in euros	
		31,12,2015	31,12,2014
1 BANKNOTES IN CIRCULATION		174,323,726,100	164,526,675,300
2 LIABILITIES TO EURO-AREA CREDIT INSTITUTIONS RELATING TO MONETARY POLICY OPERATIONS	[2]	24,138,402,283	15,436,190,195
2.1 Current accounts (covering the minimum reserve system)		22,600,402,283	15,058,190,195
2.2 Deposit facility		1,538,000,000	378,000,000
2.3 Fixed-term deposits		–	–
2.4 Fine-tuning reverse operations		–	–
2.5 Deposits relating to margin calls		–	–
3 OTHER LIABILITIES TO EURO-AREA CREDIT INSTITUTIONS		–	–
4 LIABILITIES TO OTHER EURO-AREA RESIDENTS	[8]	7,709,060,030	13,928,139,895
4.1 General government		4,820,695,247	7,858,663,892
4.1.1 Treasury payment account		4,751,990,725	7,740,798,545
4.1.2 Sinking fund for the redemption of government securities		–	977,175
4.1.3 Other liabilities		68,704,522	116,888,172
4.2 Other counterparties		2,888,364,783	6,069,476,003
5 LIABILITIES TO NON-EURO-AREA RESIDENTS	[9]	23,062,440	23,659,295
5.1 To EU central banks		–	–
5.2 Other liabilities		23,062,440	23,659,295
6 LIABILITIES TO EURO-AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY	[1]	373,191,898	386,910,118
6.1 Financial counterparties		–	–
6.2 General government		373,191,898	386,910,118
6.3 Other counterparties		–	–
7 LIABILITIES TO NON-EURO-AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY	[1]	2,589,316	2,263,777
7.1 Current accounts and deposits		2,589,316	2,263,777
7.2 Other liabilities		–	–
8 COUNTERPART OF SDRs ALLOCATED BY THE IMF	[1]	8,370,074,348	7,841,355,007
9 INTRA-EUROSISTEM LIABILITIES	[5]	248,547,203,497	208,576,061,446
9.1 Liabilities in respect of debt certificates issued by the ECB		–	–
9.2 Net liabilities relating to the allocation of euro banknotes within the Eurosystem		–	–
9.3 Other liabilities within the Eurosystem (net)		248,547,203,497	208,576,061,446
10 ITEMS IN COURSE OF SETTLEMENT		29,975,075	26,781,540
11 OTHER LIABILITIES	[10]	1,438,410,766	1,456,797,506
11.1 Bank of Italy drafts		119,446,626	117,846,369
11.2 Accruals and income collected in advance		2,791,299	2,253,222
11.3 Sundry		1,316,172,841	1,336,697,915
12 PROVISIONS	[11]	7,683,935,349	7,749,125,060
12.1 Provisions for specific risks		863,648,034	970,097,098
12.2 Staff-related provisions		6,820,287,315	6,779,027,962
13 REVALUATION ACCOUNTS	[12]	67,980,555,616	66,200,567,755
14 PROVISION FOR GENERAL RISKS	[11]	19,373,675,075	17,173,675,075
15 CAPITAL AND RESERVES	[13]	25,046,243,254	24,296,682,724
15.1 Capital		7,500,000,000	7,500,000,000
15.2 Statutory reserves		9,806,732,333	9,057,171,803
15.3 Other reserves		7,739,510,921	7,739,510,921
16 NET PROFIT FOR THE YEAR		2,797,179,983	2,998,242,120
TOTAL		587,837,285,030	530,623,126,813

OFF-BALANCE-SHEET ACCOUNTS at 31 December 2015 amount to € 156,757,931,489.

THE ACCOUNTANT GENERAL: PAOLO MARULLO REEDTZ

THE GOVERNOR: IGNAZIO VISCO

Audited and found correct.

THE BOARD OF AUDITORS: LORENZO DE ANGELIS, GIAN DOMENICO MOSCO, ANGELO RICCABONI, SANDRO SANDRI, DARIO VELO

PROFIT AND LOSS ACCOUNT

	NO- TES	Amounts in euros	
		2015	2014
1.1 Interest income		5 568,803,095	5,714,978,761
1.2 Interest expense		-132,856,000	-419,039,705
1 NET INTEREST INCOME	[14]	5,435,947,095	5,295,939,056
2.1 Realized gains/losses arising from financial operations		406,748,982	142,241,862
2.2 Write-downs on financial assets and positions		-116,071,618	-5,637,011
2.3 Transfers to/from the provision for general risks for exchange rate, price and credit risk		-2,200,000,000	-1,800,000,000
2 NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND TRANSFERS TO/FROM RISK PROVISIONS	[15]	-1,909,322,636	-1,663,395,149
3.1 Fee and commission income		23,734,400	26,509,583
3.2 Fee and commission expense		-11,597,345	-12,183,150
3 NET INCOME FROM FEES AND COMMISSIONS	[16]	12,137,055	14,326,433
4 INCOME FROM PARTICIPATING INTERESTS	[17]	168,091,003	181,112,266
5 NET RESULT OF THE POOLING OF MONETARY INCOME	[18]	170,027,640	220,776,562
6.1 Interest Income		990,045,268	1,109,745,763
6.2 Dividends from equity shares and participating interests		280,731,929	187,615,211
6.3 Gains and losses on financial operations		489,155,001	649,945,030
6.4 Write-downs on financial operations		-85,249,258	-90,565,524
6.5 Other components		39,429,133	33,179,960
6 NET INCOME FROM FINANCIAL ASSETS RELATING TO THE INVESTMENT OF RESERVES AND PROVISIONS	[19]	1,714,112,073	1,889,920,440
7 OTHER TRANSFERS FROM PROVISIONS		764	723
8 OTHER INCOME	[20]	65,890,586	93,448,047
TOTAL NET INCOME		5,656,883,580	6,032,128,378
9.1 Staff wages and salaries		-616,209,165	-609,777,400
9.2 Social security and insurance		-158,239,116	-157,454,320
9.3 Other staff costs		-40,754,000	-45,725,916
9.4 Pensions and severance payments		-290,474,011	-275,115,949
9.5 Transfers from/ to provisions for accrued expenses and staff severance pay and pensions		-49,910,881	-217,990,444
9.6 Emoluments paid to head office and branch collegial bodies		-3,038,888	-3,094,707
9.7 Administrative expenses		-443,186,554	-453,412,187
9.8 Depreciation of tangible and intangible fixed assets		-152,798,431	-150,422,994
9.9 Banknote production services		—	—
9.10 Other expenses		-40,274,413	-34,907,781
9 EXPENSES AND CHARGES	[21]	-1,794,885,459	-1,947,901,698
10 OTHER TRANSFERS TO PROVISIONS		—	—
11.1 Extraordinary income		5,987,448	105,867,349
11.2 Extraordinary expense		-58,649,722	-33,122,203
11 EXTRAORDINARY INCOME AND EXPENSE	[22]	-52,662,274	72,745,146
PROFIT BEFORE TAX		3,809,335,847	4,156,971,826
12 TAXES ON INCOME FOR THE YEAR AND ON PRODUCTIVE ACTIVITIES	[23]	-1,012,155,864	-1,158,729,706
NET PROFIT FOR THE YEAR		2,797,179,983	2,998,242,120

THE ACCOUNTANT GENERAL: PAOLO MARULLO REEDTZ

THE GOVERNOR: IGNAZIO VISCO

Audited and found correct.

THE BOARD OF AUDITORS: LORENZO DE ANGELIS, GIAN DOMENICO MOSCO, ANGELO RICCABONI, SANDRO SANDRI, DARIO VELO

NOTES TO THE ACCOUNTS

Legal basis, method of preparation and layout of the annual accounts

Legal basis of the annual accounts. – The annual accounts of the Bank of Italy are drawn up in compliance with special statutory provisions and, where these do not provide any guidance, the Bank applies the rules laid down in the Civil Code, referring to generally accepted accounting principles as necessary.

The main statutory provisions of reference are:

- Article 8.1 of Legislative Decree 43/1998 ('Adaptation of Italian law to the provisions of the Treaty establishing the European Community for matters concerning monetary policy and the European System of Central Banks'). The Decree states that 'in drawing up its annual accounts, the Bank of Italy may adapt, in derogation from the provisions in force, the criteria for recognizing amounts and drawing up the annual accounts to comply with the rules laid down by the ECB in accordance with Article 26.4 of the Statute of the ESCB and the recommendations issued by the ECB in this regard. The annual accounts drawn up in accordance with this paragraph, particularly as concerns the methods used in their preparation, are also valid for tax purposes. This validity is recognized by Article 114 of Presidential Decree 917/1986 (Consolidated Income Tax Law) as amended by Legislative Decree 247/2005.

The special rules adopted by the ECB are set out in Guideline ECB/2010/20 (published in OJ L35 of 9 February 2011), as amended, which contains provisions referring mainly to items of the annual accounts relating to the institutional activities of the ESCB and non-binding recommendations for the other items of the annual accounts.

On the basis of the authority granted by Article 8 of Legislative Decree 43/1998, the Bank of Italy applies in full the accounting rules and recommendations issued by the ECB, including those on the layout of the profit and loss account in report form and the layout of the balance sheet. The latter is the same as that used for the monthly statement approved, pursuant to Article 8.2 of Legislative Decree 43/1998, by the Minister of Economy and Finance;

- the Bank's Statute, which lays down the principles and rules for the allocation of the net profit for the year and the creation of reserves and provisions.

For matters relating to the preparation of the accounts not covered by the foregoing rules, the following provisions apply:

- Legislative Decree 127/1991, as amended;
- Article 65 (transactions involving government bonds) of Law 289/2002, as amended by Decree Law 203/2005, converted by Law 248/2005.

Accounting policies. – The accounting policies applied to the main balance sheet items in the preparation of the annual accounts for 2015 are described below. Where provided for by law they were agreed with the Board of Auditors.

GOLD, FOREIGN CURRENCY ASSETS/LIABILITIES, SECURITIES AND PARTICIPATING INTERESTS

Gold and foreign currency assets/liabilities

- stocks, including those consisting of foreign currency securities, are valued by applying, for each currency and for gold, the method based on the average net cost determined on a daily basis in the manner established by the ECB, which requires account also to be taken of net purchases of foreign currency with a trade date in the year and a settlement date in the next year;
- gold and foreign currency assets/liabilities are valued on the basis of the year-end gold price and exchange rates communicated by the ECB. Unrealized gains are included in the corresponding revaluation account, while losses are covered first by earlier unrealized gains recognized on the same foreign currencies and any amount in excess is included in the profit and loss account.

Securities and participating interests

- each type of security is valued by applying the method of average cost determined daily in the manner established by the ECB. In the case of bonds, account is taken of the amount of the premium/discount, which is recorded daily for those denominated in foreign currency;
- the year-end valuation is effected:
 1. for securities held for monetary policy purposes, at amortized cost subject to impairment (lasting reduction in recoverable value with respect to book value);
 2. for other securities:
 - a) held to maturity, at amortized cost subject to impairment;
 - b) not held to maturity:
 - i) for shares, exchange-traded funds (ETFs) and marketable bonds, at the market price available at the end of the year; units of UCITS, at the value available at the end of the year published by the management company. Unrealized gains are included in the corresponding revaluation accounts; losses are covered first by earlier unrealized gains on the relative security and any amount in excess is taken to the profit and loss account;
 - ii) for non-marketable bonds, at amortized cost subject to impairment;

- iii) for non-marketable shares and equity interests not represented by shares, at cost subject to impairment;
3. participating interests in subsidiary and associated companies that constitute permanent investments are valued at cost subject to impairment. The participating interest in the capital of the ECB is valued at cost. The Bank's accounts are not consolidated with those of investee companies as the Bank is not among the entities listed in Article 25 of Legislative Decree 127/1991.

Securities denominated in foreign currencies, including ETFs and units of UCITS, stated in the balance sheet sub-item *Financial assets relating to the investment of reserves and provisions*, are not included in the net foreign exchange position but shown as a separate item.

Dividends are recognized on a cash basis.

TANGIBLE FIXED ASSETS

Buildings

- are stated at cost, including improvement expenses, plus revaluations made pursuant to specific laws. The depreciation of the Bank's premises and the depreciation of investment property, unusable for other purposes without radical restructuring and which includes investment of the provision for staff severance pay and pensions, is on a straight line basis using the annual rate of 4 per cent established by the ECB. Land is not depreciated.

Buildings for sale and those no longer in use or usable for the Bank's activities are not amortized and are valued at whichever is lowest of net book value and realizable value based on market prices.

Plant and equipment

- are stated at cost, including improvement expenses. They are depreciated on a straight line basis using the rates established by the ECB (plant, furniture and equipment, 10 per cent; computers and related hardware and basic software and motor vehicles, 25 per cent).

Depreciation begins in the quarter subsequent to that of acquisition both for buildings and for plant and equipment.

INTANGIBLE FIXED ASSETS

Procedures, studies and designs under development and related advances are capitalized where admissible and valued at purchase price or at directly allocable production cost. Procedures, studies and designs completed are amortized on the basis of depreciation rates deemed congruent with the remaining useful life of the assets.

Software licences are stated at cost and amortized on a straight line basis over the life of the contract or, where no time limit is established or it is exceptionally long, over the estimated useful life of the software.

Costs incurred in constructing and enlarging communication networks are amortized on a straight line basis over the foreseeable life of the network; one-off contributions included in multi-year contracts are amortized on a straight line basis over the life of the contract.

The costs of improvements to buildings owned by third parties and leased to the Bank are amortized on a straight line basis over the remaining life of the rental contract.

Costs of less than €10,000 are not capitalized, with the exception of those incurred for software licences.

ACCRUALS AND DEFERRALS

Accrued income and expenses are recorded in the period in which they arise. Prepaid income and expenses must be recorded in the accounting period in which they are earned. Interest accrued on foreign exchange assets and liabilities is recorded on a daily basis and included in the net foreign exchange position.

BANKNOTES IN CIRCULATION

The ECB and the euro-area NCBs, which together form the Eurosystem, issue the euro banknotes (ECB Decision No. 29 of 13 December 2010 on the issue of euro banknotes, OJ L35 of 9 February 2011, as amended).

The total value of euro banknotes in circulation is allocated within the Eurosystem on the last working day of each month on the basis of the criteria set out below.

The ECB is allocated 8 per cent of the total value of euro banknotes in circulation, while the remaining 92 per cent is allocated to the NCBs according to the weighting of each in the capital key of the ECB. The share of banknotes allocated to each NCB is disclosed under the balance sheet liability item *Banknotes in circulation*. On the basis of the banknote allocation key, the difference between the value of the banknotes allocated to each NCB and that of the banknotes it actually puts into circulation gives rise to remunerated intra-Eurosystem balances. From the year of the cash changeover of each member state that has adopted the euro and for the five subsequent years the intra-Eurosystem balances arising from the allocation of euro banknotes are adjusted in order to avoid significant changes in the NCBs' relative income positions with respect to previous years. The adjustments take into account the differences between the average value of banknotes in circulation of each NCB in the reference period established by law and the average value of banknotes that would have been allocated to them during that period under the ECB's capital key. The adjustments are reduced in annual steps for five years starting from the year of the cash changeover, after which income on banknotes is allocated fully in proportion to the NCBs' paid-up shares in the ECB's capital (ECB Decision No. 23 of 25 November 2010 on the allocation of

monetary income of the national central banks of member states whose currency is the euro, OJ L35 of 9 February 2011, as amended). The adjustments recorded in 2015 arise from the entry into the Eurosystem of the central banks of Estonia in 2011, Latvia in 2014 and Lithuania in 2015; they will terminate at the end of 2016, 2019 and 2020 respectively.

The interest income and expense on intra-Eurosystem balances are cleared through the accounts of the ECB and disclosed in the Profit and Loss Account under *Net interest income*.

The Governing Council of the ECB has ruled that the seigniorage income of the ECB arising from the 8 per cent share of banknotes allocated to the ECB and the income deriving from the securities held in connection with the SMP, the CBPP3, the ABSPP and the PSPP must be recognized to the euro-area NCBs in full with reference to the financial year in which it accrued; it is distributed in January of the following year, or later, in the form of an interim distribution of profit (ECB Decision No. 57 of 15 December 2014, OJ L53 of 25 February 2015, as amended). All of the seigniorage income and the income arising from the above securities purchase programmes is distributed unless it exceeds the ECB's net profit for that year or the Council decides to transfer all or part of it to a provision for exchange rate, interest rate, credit and gold price risks. The interim distribution of ECB profit is recorded on an accrual basis in the year to which the income refers, in derogation from the cash basis applied in general to dividends.

The Governing Council of the ECB may also decide to reduce the seigniorage income for distribution by the amount of the expenses incurred in connection with the issue and handling of banknotes.

The amount distributed to the NCBs is entered in the profit and loss account under *Income from participating interests*.

INTRA-EUROSYSTEM CLAIMS AND LIABILITIES

Intra-Eurosystem balances arise mainly from cross-border payments in euros within the EU that are settled in central bank money. Most of these transactions are ordered by private individuals and settled in TARGET2, giving rise to bilateral balances in the TARGET2 accounts of the EU member states' central banks. These balances are netted out and then assigned to the ECB on a daily basis, leaving each NCB with a single net bilateral position with the ECB. The intra-Eurosystem balance with the ECB arising from TARGET2 and the other intra-Eurosystem balances denominated in euros, including the provisional distribution of the ECB's profit to the NCBs and the result of the pooling of monetary income, are entered in the accounts as a single net position, appearing on the asset side under *Other claims within the Eurosystem (net)* or on the liability side under *Other liabilities within the Eurosystem (net)*.

The net intra-Eurosystem balance arising from the allocation of euro banknotes is included among the net claims or liabilities relating to the allocation of banknotes within the Eurosystem.

The intra-Eurosystem claims arising from the subscription of the ECB's capital and the transfer of official reserves to the ECB are included under *Participating interest in the ECB* and *Claims arising from the transfer of foreign reserves to the ECB*.

PROVISIONS FOR RISKS

In determining the provisions for risks, the riskiness of each sector of the Bank's operations is taken into account in an overall evaluation of adequacy.

According to the Bank's Statute, the provision for general risks also covers risks connected with the Bank's overall activity that cannot be determined individually or allocated objectively.

The riskiness of the foreign exchange position and that of the securities portfolio are evaluated by the methods in use within the Eurosystem, with consideration also given to the size of the revaluation accounts.

TAX PROVISION

The provision for taxation is equal to the amount of taxes to be paid, determined on the basis of a realistic estimate of the foreseeable liability under the tax rules in force. It includes deferred tax liabilities for IRES and IRAP and amounts arising from possible fiscal checks and disputes with the tax authorities.

STAFF-RELATED PROVISIONS

- transfers to the provision for severance pay and pensions of staff hired before 28 April 1993 are included in the annual accounts under Article 3 of the relative Rules for an amount that comprises the severance pay accrued at the end of the year, the mathematical reserves for the disbursements to pensioners, and those corresponding to the situation of staff having entitlement;
- the provision for staff costs includes the estimated amount of costs accrued but not paid at year-end;
- transfers to the provision for measures connected with the reorganization of the Bank's branch network are entered for the amounts determined on the basis of the expected costs;
- transfers to the provision for grants to Bank of Italy pensioners and their surviving dependents are made in accordance with Article 24 of the Rules governing staff severance pay and pensions;
- transfers to the provision for severance pay of contract staff, who do not participate in pension funds or who pay only a part of the contributions for retirement benefits, are determined in accordance with Law 297/1982.

A defined-contribution supplementary pension fund exists for staff hired after 28 April 1993 (see below *Other assets and liabilities*).

OTHER ASSETS AND LIABILITIES

Receivables are stated at their nominal value, except in the case of diminutions in value connected with particular situations involving the counterparty.

Pursuant to Recommendation ECB/1999/NP7 of the Governing Council of the ECB, the costs incurred in connection with the production of banknotes are not included in the valuation of stocks but are taken in full to the profit and loss account in the year in which they are incurred.

Deferred tax assets and liabilities are included in the financial statements on the basis of their presumable tax effect in future years. Deferred tax assets include those deriving from the application of Article 65.2 of Law 289/2002, as amended by Decree Law 203/2005, converted by Law 248/2005.

The items *Other assets* and *Other liabilities* include the investments and separate assets of the defined-contribution supplementary pension fund created for staff hired after 28 April 1993. The fund is invested in financial instruments, which are valued at year-end market prices. The resulting revaluation gains (losses) are treated as revenue (expense) and, in the same way as for other operating revenue (expense), add to (subtract from) the fund's assets.

Securities lending transactions are entered in the balance sheet only if collateral is in the form of a cash deposit in an account of the central bank.

The other components are stated at nominal value or at cost depending on their nature.

OFF-BALANCE-SHEET TRANSACTIONS AND MEMORANDUM ACCOUNTS

Forward foreign currency transactions, which represent the forward component of foreign currency swaps and other financial instruments involving a swap of currencies at a future date, are included in the net outstanding foreign currency positions at the spot settlement date.

Forward purchases and sales of foreign currency

- forward purchases and sales are recorded in the memorandum accounts from the trade date to the settlement date at the spot exchange rate of the transaction. The difference between the values at the spot and forward exchange rates is recorded, on a *pro rata temporis* basis, under interest in the profit and loss account;
- forward sales of the currencies included in the SDR basket to cover the SDR position are valued in conjunction with the latter and therefore do not affect the net position in the single currencies.

Foreign currency swaps

- forward and spot purchases and sales are recorded in the memorandum accounts from the trade date to the settlement date at the spot exchange rate of the transaction. The difference between the values at the spot and forward exchange rates is recorded, on a *pro rata temporis* basis, under interest in the profit and loss account.

At the time of the settlement of forward purchases and sales of foreign currency and foreign currency swaps, the entries in the memorandum accounts are transferred to the appropriate items of the balance sheet.

Futures contracts

- are recorded in the memorandum accounts at the trade date at their notional value and those denominated in foreign currency are translated at the end of the year at the exchange rate communicated by the ECB. Initial margins in cash are recorded in the balance sheet among claims, those in securities are recorded in the memorandum accounts. Positive and negative daily variation margins are communicated by the clearer and taken to the profit and loss account; those denominated in foreign currency are converted at the exchange rate of the day.

Other amounts entered in the memorandum accounts

- securities of third parties denominated in euros held on deposit are stated at their nominal value; shares are stated on a quantity basis; other kinds, at face value or at conventional value;
- commitments in respect of foreign currency transactions are shown at the contractually agreed exchange rate. The entries are reversed at the time the commitments are settled;
- other foreign currency amounts are converted at the year-end exchange rates communicated by the ECB.

The balance sheet total of the National Resolution Fund is also entered in the memorandum accounts. The Fund has been instituted within the Bank of Italy under Article 78 of Legislative Decree 180/2015; it has its own capital, which is independent and separate to all effects from that of the Bank but is managed by the Bank in its capacity as National Resolution Authority. The Fund issues an annual report, published in conjunction with the Bank's annual accounts.

Notes on the items of the balance sheet

The items *Gold, assets and liabilities denominated in foreign currency, Monetary policy operations* and *Securities portfolio* are aggregated according to their purpose or type. Comments on the other items follow the layout of the balance sheet.

[1] Gold and assets and liabilities denominated in foreign currency

Table 5

Gold and assets and liabilities denominated in foreign currency (thousands of euros)			
	31.12.2015	31.12.2014	Changes
Gold (Item 1)	76,718,155	77,864,641	-1,146,486
Net assets denominated in foreign currency	35,669,269	32,279,388	3,389,881
Assets denominated in foreign currency	44,415,124	40,509,917	3,905,207
Claims on the IMF (Sub-item 2.1)	11,566,634	11,830,628	-263,994
Securities (Sub-items 2.2 and 3.1.1)	26,917,824	25,663,191	1,254,633
Current accounts and deposits (Sub-items 2.3 and 3.1.3)	4,528,394	2,079,196	2,449,198
Reverse operations (Sub-items 2.4 and 3.1.2)	1,395,518	931,541	463,977
Other assets (Sub-item 2.5)	6,754	5,361	1,393
Liabilities denominated in foreign currency	8,745,855	8,230,529	515,326
Counterpart of SDRs allocated by the IMF (Item 8)	8,370,074	7,841,355	528,719
Advances of general government departments (Sub-item 6.2)	373,192	386,910	-13,718
Current accounts and deposits (Sub-item 7.1)	2,589	2,264	325

The value of gold amounts to €76,718 million at the end of 2015, down by €1,146 million from the previous year. The decrease is entirely due to the drop in the metal's price. The volume remains unchanged at 79 million ounces or 2,452

THE IMF IN THE BANK OF ITALY'S BALANCE SHEET

Italy's position vis-à-vis the IMF is recorded in the Bank of Italy's balance sheet according to arrangements drawn up with the Ministry of Economy and Finance.

Specifically:

- Italy's reserve tranche position, subscribed in gold, SDRs and national currency and amounting to €1,113 million at the end of 2015, represents the difference between Italy's quota in the Fund (€10,033 million, equal to SDR7,882 million) and the IMF's holdings deposited in its account with the Bank (€8,919 million, equal to SDR7,008 million) which are funded by the quota paid over time in national currency;
- the contribution to the Poverty Reduction and Growth Trust (PRGT), amounting to €1,168 million (SDR918 million), is used to grant long-term loans to countries facing structural balance of payments difficulties;
- resources lent to the IMF by the Bank of Italy on behalf of the Italian government under the NAB, amounting to €1,655 million (SDR1,301 million), are used to supplement the IMF's quota resources for loans to cope with the financial crisis;
- since 1969 the IMF has allocated SDRs to Italy in proportion to its quota. The last general allocation made in 2009 brought Italy's total holding to SDR6,576

million. Following a series of withdrawals, at the end of 2015 Italy's holdings amounted to SDR5,994 million, equal to €7,630 million.

The amount of SDR6,576 million is entered as a liability vis-à-vis the IMF under the item *Counterpart of SDRs allocated by the IMF* (Item 8), totalling €8,370 million at the end of the year.

tons.⁷ Owing to the appreciation of the main foreign currencies, especially the dollar, against the euro, the value of net foreign assets is up from €32,279 to €35,669 million.⁸

Compared with the end of 2014 there are unrealized gains at the end of the year that are entered in the revaluation accounts for dollars (€1,991 million), yen (€384 million), sterling (€200 million), SDRs (€151 million), renminbi (€1 million) and South Korean won (€1 million).⁹ Losses are covered entirely by the corresponding revaluation accounts for gold (€1,146 million) and Australian dollars (€7 million). The losses on Canadian dollars are taken in full to the profit and loss account in the amount of €80 million. After these changes, at the end of 2015 the exchange rate revaluation accounts amount to €64,027 million, of which €57,297 million is in respect of gold, €4,770 million the dollar, €786 million the yen, €766 million sterling, €353 million the SDR including the valuation of the relative hedging operations, €43 million the Australian dollar and €11 million the renminbi (see *Revaluation accounts*).

Table 6

Accounts with the International Monetary Fund (thousands of euros)			
	31.12.2015	31.12.2014	Changes
Assets			
Claims on the IMF (Sub-item 2.1)	11,566,634	11,830,628	-263,994
Reserve tranche position in the IMF	1,113,348	1,724,664	-611,316
Quota in the IMF	10,032,569	9,398,833	633,736
IMF holdings	-8,919,221	-7,674,169	-1,245,052
Participation in the PRGT	1,168,204	860,007	308,197
Participation in the NAB	1,655,462	1,935,712	-280,250
Special Drawing Rights	7,629,620	7,310,245	319,375
Liabilities			
Counterpart of SDRs allocated by the IMF (Item 8)	8,370,074	7,841,355	528,719

⁷ Gold reserves are valued at the year-end market price in euros per fine ounce notified by the ECB. Compared with the end of 2014, gold depreciated by 1.47 per cent (from €987.77 to €973.23 per ounce).

⁸ Compared with the end of the previous year the US dollar has risen from \$1.2141 to \$1.0887 against the euro, the pound sterling from £0.7789 to £0.7339, the yen from ¥145.23 to ¥131.07 and the Chinese renminbi from ¥7.5358 to ¥7.0608; the value of the SDR is up from €1.1924 to €1.2728. The Canadian dollar has depreciated from C\$1.4063 to C\$1.5116 against the euro, while the Australian dollar has held virtually stable, depreciating from A\$1.4829 to just A\$1.4897.

⁹ Purchases of South Korean won begin in 2015.

Claims on the IMF are down by €264 million even taking into account the positive effect of the appreciation of the SDR against the euro. The change is the result of an increase in the IMF's holdings following repayments by debtor countries (see the box 'The IMF in the Bank of Italy's balance sheet') and a decrease in the Bank's loans to the IMF on behalf of the Italian government under the New Arrangements to Borrow (NAB).

The portfolio of securities denominated in foreign currency classified as not held to maturity is made up for the most part of bonds issued by foreign government bodies and international organizations. Of the total portfolio 69 per cent is denominated in US dollars, 12 per cent in yen, 10 per cent in sterling, 4 per cent in Australian dollars and 3 per cent in Canadian dollars.

Table 7

Movements in securities denominated in foreign currency (thousands of euros)				
	Non-euro-area residents (Sub-item 2.2)		Euro-area residents (Sub-item 3.1.1)	Total
	Bonds	Units of UCITS	Bonds	
Opening balance	24,868,005	262,601	532,585	25,663,191
Increases	31,905,623	209,377	175,121	32,290,121
Purchases	30,100,309	182,565	137,551	30,420,425
Net gains	65,391	–	–	65,391
Net price revaluation gains (1)	–	8,502	–	8,502
Net exchange rate revaluation gains (1)	1,739,923	18,310	37,570	1,795,803
Decreases	-30,874,992	–	-160,496	-31,035,488
Sales and redemptions	-30,538,915	–	-151,043	-30,689,958
Net losses	–	–	-10	-10
Net price revaluation losses (1)	-99,112	–	-1,128	-100,240
Premiums and discounts	-126,347	–	-6,095	-132,442
Write-downs due to price changes (2)	-33,531	–	-735	-34,266
Write-downs due to exchange rate changes (2)	-77,087	–	-1,485	-78,572
Closing balance	25,898,636	471,978	547,210	26,917,824

(1) Increase/decrease in revaluation accounts. – (2) Reported in the profit and loss account

The other foreign currency assets (Sub-items 2.3, 2.4, 2.5, 3.1.2 and 3.1.3), denominated primarily in dollars, yen and sterling, consist of fixed-term deposits (€1,138 million), current accounts (€3,390 million), reverse operations (€1,396 million) and foreign banknotes (€7 million).

Among the liabilities denominated in foreign currency, mainly in dollars, the most important are the liabilities to general government (€373 million, Sub-item 6.2) in respect of advances received for the management of foreign currency cross-border payments and collections.

[2] Monetary policy operations

The amounts outstanding at 31 December 2015 as a result of operations carried out by the Bank of Italy within the framework of the single monetary policy of the Eurosystem are shown in Table 8.

Table 8

Monetary policy operations (thousands of euros)			
	31.12.2015	31.12.2014	Changes
Lending to euro-area credit institutions (Item 5) (1)			
5.1 Main refinancing operations	18,728,000	25,743,200	-7,015,200
5.2 Longer-term refinancing operations	139,547,980	168,778,580	-29,230,600
5.3 Fine-tuning reverse operations	—	—	—
5.4 Structural reverse operations	—	—	—
5.5 Marginal lending facility	—	—	—
5.6 Credits relating to margin calls	—	—	—
Total	158,275,980	194,521,780	-36,245,800
Securities held for monetary policy purposes (Sub-item 7.1)			
	121,507,952	35,486,124	86,021,828
Liabilities to euro-area credit institutions (Item 2)			
2.1 Current accounts (covering the minimum reserve system)	22,600,402	15,058,190	7,542,212
2.2 Deposit facility	1,538,000	378,000	1,160,000
2.3 Fixed-term deposits	—	—	—
2.4 Fine-tuning reverse operations	—	—	—
2.5 Deposits relating to margin calls	—	—	—
Total	24,138,402	15,436,190	8,702,212

(1) At 31 December 2015 the collateral for lending to euro-area credit institutions amounts to €323.7 billion.

Both MROs and TLTROs have diminished in 2015. In terms of composition, longer-term lending again predominates following allocations to the tune of €60.3 billion under the new TLTROs, which partially offset the repayment, amounting to €87 billion, of all the remaining amounts allocated at the three-year auctions.

Although the year-end value of the stock of *Main refinancing operations* is down, the average value is up from €11,253 million to €14,062 million. Both the year-end value of *Longer-term refinancing operations* and their average value are down, the latter from €178,707 million to €145,205 million. The *Marginal lending facility*, for which the value at the end of the two years considered is zero, increases as an annual average value from €2 million to €13 million. There is no recourse in 2015 to either *Fine-tuning reverse operations* or *Structural reverse operations*.

On the liability side there is an increase in the year-end value of deposits held by credit institutions, including their minimum reserve requirements, and in the average stock, up from €17,590 million to €18,077 million. Credit institutions' holdings in

the *Deposit facility* rise at year-end and are unchanged in terms of average stock (€147 million). The year-end value of *Fixed-term deposits* is nil and there is no recourse to *Fine-tuning reverse operations*.

Sub-item 7.1 includes securities purchased for monetary policy operations under the three CBPPs, the SMP and the PSPP. The first two CBPPs were introduced in 2009 and 2011 and closed in 2010 and 2012 respectively; the SMP was rolled out in 2010 and ended in 2012. The CBPP3 began in 2014 and the PSPP in 2015. To date, the securities held under the ABSPP, which was launched at the end of 2014, have only been purchased by the ECB.

Table 9

Movements in securities held for monetary policy purposes (Sub-item 7.1) (thousands of euros)						
	Total bonds					Total
	CBPP1	CBPP2	CBPP3	SMP	PSPP	
Opening balance	5,395,584	2,034,813	4,652,433	23,403,294	–	35,486,124
Increases	1,050	1,229	19,906,597	210,363	72,053,216	92,172,455
Purchases	–	–	19,906,597	–	72,053,216	91,959,813
Net gains	1,050	–	–	–	–	1,050
Net premiums and discounts	–	1,229	–	210,363	–	211,592
Decreases	-998,768	-496,800	-547,838	-3,627,000	-480,221	-6,150,627
Sales and redemptions	-990,157	-496,800	-232,000	-3,627,000	–	-5,345,957
Net premiums and discounts	-8,611	–	-315,838	–	-480,221	-804,670
Closing balance	4,397,866	1,539,242	24,011,192	19,986,657	71,572,995	121,507,952

The PSPP, introduced by the ECB Governing Council at its meeting on 22 January 2015 and launched in March, broadens the scope of the programme of purchases for monetary policy purposes under way since the end of 2014 to include public sector securities and securities issued by European institutions. The objective is to improve borrowing conditions for non-financial firms and households, thereby supporting economic recovery and bringing inflation rates below but close to 2 per cent over the medium term. Under the PSPP, the ECB and the NCBs can buy, in the secondary market, euro-denominated securities with a residual life of 2 to 30 years issued by euro-area central governments and by euro-area agencies and European institutions. A decision issued on 3 December 2015 extends the programme to include bonds issued by euro-area regional and local authorities. Combined monthly purchases by the Eurosystem under the CBPP3, the ABSPP and the PSPP amount to €60 billion and will continue at least until March 2017.

Securities held for monetary policy purposes under the various programmes are valued at amortized cost subject to impairment. The impairment tests conducted at

year-end by the Eurosystem do not indicate any long-lasting decrease in value. If the securities are valued at year-end market prices the total value of the portfolio amounts to €125.6 billion.

Table 10

Comparison with market price of securities held for monetary policy purposes (Sub-item 7.1) <i>(thousands of euros)</i>						
	31.12.2015		31.12.2014		Changes	
	Amortized cost	Market price	Amortized cost	Market price	Amortized cost	Market price
CBPP1	4,397,866	4,625,615	5,395,584	5,762,922	-997,718	-1,137,307
CBPP2	1,539,242	1,661,962	2,034,813	2,211,015	-495,571	-549,053
CBPP3	24,011,192	23,789,720	4,652,433	4,656,574	19,358,759	19,133,146
SMP	19,986,657	22,756,313	23,403,294	26,491,635	-3,416,637	-3,735,322
PSPP	71,572,995	72,729,917	–	–	71,572,995	72,729,917
Total	121,507,952	125,563,527	35,486,124	39,122,146	86,021,828	86,441,381

Regarding the riskiness of monetary policy operations, under Article 32.4 of the ESCB Statute any losses associated with refinancing operations are generally shared, by decision of the Governing Council of the ECB, among the Eurosystem NCBs in proportion to their shares in the ECB's capital. The Governing Council waives the principle of risk sharing where certain types of collateral are accepted by the NCBs at their own discretion.

Regarding securities purchased under the SMP and the CBPP3 and securities of European institutions purchased under the PSPP, the Governing Council has ruled that all losses are to be shared among the Eurosystem NCBs. Risk sharing also applies, by virtue of the NCBs' participation in the ECB's capital, to all securities purchased by the latter. Losses incurred under the other programmes are borne by the single NCBs.

At the end of 2015, the Eurosystem's total refinancing operations amount to €558,989 million (€630,341 million in 2014). Securities purchased by the NCBs under the SMP and the CBPP3 and securities of European institutions purchased under the PSPP total €305,722 million, against €161,496 million in 2014 excluding the PSPP which was not in operation at the time.

[3] Other claims on euro-area credit institutions

Item 6 on the asset side, amounting to €101 million (€4,959 at the end of 2014), includes claims in connection with the management of cross-border euro payments and collections for government bodies (€83 million) and other claims denominated in euros (€18 million). The balance at the end of 2014 includes reverse repos amounting to €4,805 million associated with the provision of ERMS.

[4] Securities portfolio

Table 11

Securities portfolio (thousands of euros)			
	31.12.2015	31.12.2014	Changes
A. SECURITIES DENOMINATED IN EUROS (Sub-items 4.2 and 7.2 and Item 8)			
1 Securities held to maturity	93,488,582	87,628,845	5,859,737
a) Government securities (Sub-item 7.2)	77,529,736	71,516,784	6,012,952
b) Other bonds (Sub-items 4.2 and 7.2)	1,744,036	1,762,710	-18,674
c) Government securities assigned to Bank of Italy (Item 8)	14,214,810	14,349,351	-134,541
2 Securities other than those held to maturity	8,421,572	10,364,911	-1,943,339
a) Government securities (Sub-item 7.2)	7,496,767	9,490,622	-1,993,855
b) Other bonds (Sub-items 4.2 and 7.2)	924,805	874,289	50,516
Total A	101,910,154	97,993,756	3,916,398
SECURITIES RELATING TO THE INVESTMENT OF RESERVES AND PROVISIONS (Sub-item 11.2)			
1. Securities held to maturity and other permanent investments	24,773,185	28,298,788	-3,525,603
a) Government securities	23,751,422	27,169,921	-3,418,499
b) Other bonds	437,982	545,086	-107,104
c) Shares and participating interests	583,781	583,781	—
- in subsidiary companies and entities	526,823	526,823	—
- in other companies and entities	2,410	2,410	—
- in other companies and entities denominated in foreign currency	54,548	54,548	—
2. Securities other than those held to maturity and other than permanent investments	9,638,580	9,127,358	511,222
a) Government securities	16,495	16,817	-322
b) Shares and participating interests	6,658,806	6,123,620	535,186
- in subsidiary companies and entities	—	—	—
- in other companies and entities	6,658,806	6,123,620	535,186
c) ETFs and shares/units of UCITS	2,963,279	2,986,921	-23,642
of which: denominated in foreign currency	1,219,576	997,124	222,452
Total B	136,321,919	135,419,902	902,017
Total (A+B)	136,321,919	135,419,902	902,017

Securities denominated in euros (Total A) consist exclusively of bonds and are detailed in:

- Sub-item 4.2 (*Claims on non-euro-area residents – securities*). This item consists mostly of bonds issued by international organizations;

- Sub-item 7.2 (*Securities issued by euro-area residents – other securities*). This item consists mainly of bonds issued by the Italian government and by other euro-area governments;
- Item 8 (*General government debt*). This item contains the Italian government securities assigned to the Bank following the bond conversion under Law 289/2002 and termination of the management of mandatory stockpiling.

Table 12

A. Movements in securities denominated in euros (thousands of euros)						
	Total bonds					Total
	Securities held to maturity			Securities other than those held to maturity		
	(Sub-item 4.2)	(Sub-item 7.2)	(Item 8)	(Sub-item 4.2)	(Sub-item 7.2)	
Opening balance	1,156,715	72,122,779	14,349,351	358,729	10,006,182	97,993,756
Increases	–	15,745,705	–	150,341	3,111,074	19,007,120
Purchases	–	15,745,705	–	146,808	3,090,695	18,983,208
Net gains	–	–	–	3,533	20,379	23,912
Decreases	-14,064	-9,737,363	-134,541	-130,699	-5,074,055	-15,090,722
Sales and redemptions	–	-9,174,446	-49,878	-118,039	-4,945,474	-14,287,837
Net revaluations (1)	–	–	–	-7,308	-62,885	-70,193
Net premiums and discounts	-14,064	-562,917	-84,663	-4,488	-64,408	-730,540
Write-downs (2)	–	–	–	-864	-1,288	-2,152
Closing balance	1,142,651	78,131,121	14,214,810	378,371	8,043,201	101,910,154
(1) Increase/decrease in revaluation accounts. – (2) Taken to the profit and loss account.						

(1) Increase/decrease in revaluation accounts. – (2) Taken to the profit and loss account.

Securities relating to investments of reserves and provisions (Total B) are denominated in euros and to a very small extent in foreign currency. At year-end 70 per cent of the portfolio consisted of bonds and 30 per cent of shares, participating interests, ETFs and shares/units of UCITS.¹⁰ Almost all of the investments in shares consist of listed securities. The majority of issuers are Italian and the remainder mainly from other euro-area countries.

Most of the purchases made during 2015 consist of ETFs and shares/units of UCITS.

At 31 December 2015 the portfolio (Total A and Total B) does not include any securities held to maturity whose book value is significantly higher than their valuation at market prices.

¹⁰ The Bank invests in ETFs and shares/units of UCITS, including those denominated in foreign currency. The position is hedged against exchange rate risk by forward sales of the corresponding currency. These assets constitute a separate position with respect to the foreign currency assets and liabilities described under the heading *Gold and foreign currency assets/liabilities*.

Table 13

B. Movements in securities relating to the investment of reserves and provisions (Sub-item 11.2) (thousands of euros)						
	Total bonds		Shares and other participating interests		ETFs and shares/units of UCITS	Total
	Securities held to maturity	Securities other than those held to maturity	Permanent investments	Temporary investments		
Opening balance	27,715,007	16,817	583,781	6,123,620	2,986,921	37,426,146
Increases	269,977	212	–	866,492	1,053,640	2,190,321
Purchases	269,977	–	–	252,695	640,995	1,163,667
Net gains	–	–	–	97,305	412,645	509,950
Net price revaluation gains (1)	–	–	–	516,492	–	516,492
Net premiums and discounts	–	212	–	–	–	212
Decreases	-3,795,580	-534	–	-331,306	1,077,282	-5,204,702
Sales and redemptions	-3,728,684	–	–	-279,826	-881,967	-4,890,477
Net price revaluation losses (1)	–	-534	–	–	-147,935	-148,469
Net premiums and discounts	-66,896	–	–	–	–	-66,896
Write-downs due to price changes (2)	–	–	–	-51,480	-8,775	-60,255
Exchange rate adjustments (3)	–	–	–	–	-38,605	-38,605
Closing balance	24,189,404	16,495	583,781	6,658,806	2,963,279	34,411,765

(1) Increase/decrease in revaluation accounts. – (2) Taken to the profit and loss account – (3) Gains and losses that are reported, net of the valuation of the relative hedges of exchange rate risk, in the revaluation accounts or among write-downs in the profit and loss account.

The Bank of Italy has a controlling interest in SIDIEF SpA (Table 14).

Table 14

Participating interests in subsidiary companies						
COMPANY	At the end of 2015			Subsidiary company data for 2015		
	Shares held	% of capital held	Book value	Shareholders' equity (1)	Profit	Dividends distributed
(thousands of euros)						
Società Italiana Di Iniziative Edilizie e Fondiarie SpA - Rome (Capital of €507,000,000 represented by 507,000 shares with a par value of €1,000 each)	507,000	100	526,823	553,003	2,007	–

(1) Shareholders' equity at the reference date does not include dividends to be distributed to shareholders.

It also holds 20 per cent of the capital of FSI, with a book value of €919 million, consisting of one third of ordinary shares and two thirds of preference shares. The Bank has already made an official request to the issuer to redeem the preference shares now that the conditions of the agreement signed in 2012 with Cassa depositi e prestiti SpA obtain (see 'Other information' – *Disclosure of relations with subsidiary and associate companies*).

The Bank's accounts are not consolidated with those of investee companies as the Bank is not among the entities listed in Article 25 of Legislative Decree 127/1991. Moreover, consolidation would not contribute in any way to providing a true and fair view of the Bank's balance sheet, financial position and profit and loss account.

The other interests held as permanent investments include shares of the Bank for International Settlements, which are denominated in SDRs, valued at cost and translated at historic exchange rates. The Bank's stake is equal to 9.4 per cent of the BIS's capital.

[5] Intra-Eurosystem claims and liabilities

Table 15

Positions with the ECB and the other euro-area NCBs (thousands of euros)			
	31.12.2015	31.12.2014	Changes
Assets			
9.1 Participating interest in the ECB	1,332,645	1,332,645	–
9.2 Claims arising from the transfer of foreign reserves to the ECB	7,134,237	7,134,237	–
9.3 Net claims relating to the allocation of euro banknotes within the Eurosystem	32,296,375	22,367,575	9,928,800
9.4 Other claims within the Eurosystem (net)	–	–	–
Total	40,763,257	30,834,457	9,928,800
Liabilities			
9.3 Other liabilities within the Eurosystem (net)	248,547,203	208,576,061	39,971,142
Total	248,547,203	208,576,061	39,971,142

On the asset side:

- the *Participating interest in the ECB*¹¹ is unchanged at €1,333 million; similarly, *Claims deriving from transfers of reserves to the ECB*,¹² which are computed according to the Bank's subscription, are stable at €7,134 million;
- *Net claims relating to the allocation of euro banknotes within the Eurosystem* amount to €32,296 million (see *Banknotes in circulation*).

¹¹ Pursuant to Article 28 of the Statute of the ESCB, the NCBs are the sole subscribers and holders of the capital of the ECB. Subscriptions are determined on the basis of the key established in Article 29 of the Statute and adjusted every five years or when a new country joins the EU. The last periodic five-year adjustment was made on 1 January 2014; at the end of 2015 the Bank of Italy's share of the ECB's subscribed capital amounts to 12.3108 per cent. Considering only the NCBs belonging to the Eurosystem, it was equal to 17.5923 per cent at the end of 2014; this was reduced to 17.4890 per cent on 1 January 2015 following the accession of Lithuania.

¹² *Claims deriving from transfers of reserves to the ECB* represent the interest-earning claim denominated in euros recorded at the start of the third stage of EMU following the transfer of gold, foreign securities and foreign currencies to the ECB in proportion to the Bank's share of the ECB's capital, as in the case of the other Eurosystem NCBs.

On the liability side:

- *Other (net) liabilities within the Eurosystem* amount to €248.547 million (compared with €208.576 in 2014) and represent the Bank's net position vis-à-vis the Eurosystem, mainly deriving from the operation of the TARGET2 system. The latter gives rise to an overall debtor position of €248,859 million at the end of 2015 (compared with €208,945 million in 2014). At the end of the year the overall position is reduced by a) a claim of €142 million (€148 million in 2014) for the ECB interim profit distribution pertaining to 2015 and b) a claim of €170 million (€221 million in 2014) deriving from the net result of the pooling of monetary income in 2015 (€168 million) and the recalculation (€2 million) of monetary income pertaining to previous years.

[6] Other assets

This item consists mainly of investments in securities of reserves and provisions (see *Securities portfolio*).

Table 16

Other assets (Sub-item 11) (thousands of euros)			
	31.12.2015	31.12.2014	Changes
11.1 Euro-area coins	144,327	132,513	11,814
11.2 Securities relating to the investment of reserves and provisions	34,411,765	37,426,146	-3,014,381
11.3 Intangible fixed assets	99,813	92,317	7,496
11.4 Tangible fixed assets	2,284,343	2,394,975	-110,632
11.5 Accruals and prepaid expenses	3,252,023	3,795,031	-543,008
11.6 Deferred tax assets	2,714,975	3,184,081	-469,106
11.7 Sundry	1,226,844	1,424,572	-197,728
<i>Other investments for staff severance pay and pensions</i>	113,794	109,640	4,154
<i>Supplementary pension fund</i>	390,389	353,258	37,131
<i>Other components</i>	722,661	961,674	-239,013
Total	44,134,090	48,449,635	-4,315,545

The composition of *Intangible fixed assets* (Sub-item 11.3) and movements during the year are shown in Table 17.

The composition of *Tangible fixed assets* (Sub-item 11.4) and movements during the year are shown in Tables 18 and 20.

The year-end market value of the buildings owned by the Bank is estimated to be €3,883 million (€3,939 million in 2014).

Table 17

Movements in intangible fixed assets (Sub-item 11.3) (thousands of euros)					
	Procedures, studies and designs completed	Multi-year software licence fees	Other	Assets under development and related advances	Total
Opening balance	14,471	3,586	211	74,049	92,317
Increases	95,338	4,458	–	27,017	126,813
Purchase and improvement costs (1)	–	4,458	–	27,017	31,475
Transfers	95,338	–	–	–	95,338
Decreases	-20,170	-3,777	-32	-95,338	-119,317
Amortization	-20,170	-3,777	-32	–	-23,979
Transfers	–	–	–	-95,338	-95,338
Closing balance	89,639	4,267	179	5,728	99,813

(1) Includes increases in internally developed intangible assets.

Table 18

Movements in tangible fixed assets (property) (thousands of euros)							
	Premises		Investment property for allocations to severance and pension provision (2)		Other property (2)		Total
	Buildings	Land (1)	Buildings	Land (1)	Buildings	Land	
Opening balance (gross)	2,918,227	938,478	9,529	1,842	417,081	71,643	4,356,800
Accumulated depreciation	-1,824,505	–	-4,387	–	-264,744	–	-2,093,636
Opening balance (net)	1,093,722	938,478	5,142	1,842	152,337	71,643	2,263,164
Increases	102	–	–	–	–	–	102
Purchase and improvement costs	53	–	–	–	–	–	53
Transfers	49	–	–	–	–	–	49
Decreases	-97,572	–	-300	-97	-1,136	-325	-99,430
Sales and/or disposals (cost)	–	–	–	–	-542	-91	-633
Sales and/or disposals (accum. depr.)	–	–	–	–	289	–	289
Depreciation	-97,572	–	–	–	–	–	-97,572
Other changes (cost)	–	–	-300 (3)	-97 (3)	-883 (3)	-234 (3)	-1,514
Closing balance (gross)	2,918,329	938,478	9,229	1,745	415,656	71,318	4,354,755
Accumulated depreciation	-1,922,077	–	-4,387	–	-264,455	–	-2,190,919
Closing balance (net)	996,252	938,478	4,842	1,745	151,201	71,318	2,163,836

(1) Land, including that on which buildings stand, is not depreciated. – (2) Buildings/land for sale and/or no longer in use or usable for the Bank's activities. – (3) Adjusted to the lowest of net book value and realizable value based on market prices.

Table 19

Revaluations of property				
	Premises		Investment property for allocations to severance and pension provision	
	Number	Revaluation amount (millions of euros)	Number	Revaluation amount (millions of euros)
Revaluation reserve under Law 72/1983	111	616	5	2
Revaluation reserve under Law 408/1990	141	644	3	1
Revaluation reserve under Law 413/1991	33	11	2	0
Revaluation reserve under Law 342/2000	145	898	5	3
Revaluation reserve under Law 266/2005	152	1.563	4	3

Table 20

Movements in tangible fixed assets (other) (thousands of euros)					
	Equipment, furniture & furnishings	Plant	Coins and collections	Assets under development and related advances	Total
Opening balance (gross)	212,965	532,976	2,297	8,851	757,089
Accumulated depreciation	-158,992	-466,286	–	–	-625,278
Opening balance (net)	53,973	66,690	2,297	8,851	131,811
Increases	3,897	15,994	–	7,454	27,345
Purchase and improvement costs	3,897	9,892	–	7,454	21,243
Transfers	–	6,102	–	–	6,102
Decreases	-11,019	-21,479	–	-6,151	-38,649
Sales and/or disposals (cost)	-6,425	-13,788	–	–	-20,213
Sales and/or disposals (accum. depr.)	6,385	12,578	–	–	18,963
Depreciation	-10,979	-20,269	–	–	-31,248
Transfers	–	–	–	-6,151	-6,151
Closing balance (gross)	210,437	535,182	2,297	10,154	758,070
Accumulated depreciation	-163,586	-473,977	–	–	-637,563
Closing balance (net)	46,851	61,205	2,297	10,154	120,507

Accruals and prepaid expenses (Sub-item 11.5) are detailed in Table 21.

Table 21

Accruals and prepaid expenses (Sub-item 11.5) (thousands of euros)			
	31.12.2015	31.12.2014	Changes
Accrued income	3,240,855	3,782,781	-541,926
Interest accrued on securities denominated in euros	3,016,223	2,357,167	659,056
Interest accrued on refinancing operations	121,137	1,329,192	-1,208,055
Interest accrued on securities denominated in foreign currencies	100,596	94,451	6,145
Interest accrued on other foreign currency assets	2,212	1,735	477
Other	687	236	451
Prepaid expenses	11,168	12,250	-1,082
Administrative expenses	11,168	12,250	-1,082
Total	3,252,023	3,795,031	-543,008

Deferred tax assets (Sub-item 11.6) show a net decrease of €469 million, being the combined effect of:

- a decrease of €490 million as a result of offsetting the remaining tax loss for 2002 against taxable income for 2015;
- a net increase of €21 million in prepaid taxes associated with other items of the profit and loss account.

Table 22

Deferred tax assets (thousands of euros)								
	31.12.2015				31.12.2014			
	Temporary differences	IRES (1)	IRAP (2)	Total	Temporary differences	IRES	IRAP	Total
Tax loss for 2002	9,482,898	2,607,797	–	2,607,797	11,264,051	3,097,614	–	3,097,614
Staff costs accrued but not paid	162,544	44,700	9,021	53,721	122,498	33,687	–	33,687
Civil law depreciation not tax deductible (Revaluation reserve under Law 266/2005)	142,910	39,300	7,931	47,231	142,933	39,307	7,882	47,189
Other	18,988	5,221	1,005	6,226	17,004	4,676	915	5,591
Total	9,807,340	2,697,018	17,957	2,714,975	11,546,486	3,175,284	8,797	3,184,081
Deferred tax liabilities (thousands of euros)								
	31.12.2015				31.12.2014			
	Temporary differences	IRES (1)	IRAP (2)	Total	Temporary differences	IRES	IRAP	Total
Realized gains on securities, property and other assets	5,062	1,392	–	1,392	6,891	1,895	–	1,895
Depreciation on differences generated by separating land and buildings (3)	26,719	7,348	1,482	8,830	26,740	7,354	1,474	8,828
Other	14,005	3,851	–	3,851	–	–	–	–
Total	45,786	12,591	1,482	14,073	33,631	9,249	1,474	10,723

(1) Calculated using a tax rate of 27.5 per cent, – (2) Calculated using the tax rates in force, – (3) Depreciation on the increased tax values generated by divesting land of buildings for sale and/or no longer in use or usable for the Bank's activities,

The amount of deferred tax assets and liabilities is calculated using the tax rates that are expected to be in force at the time the temporary differences that have generated them are reversed. The bulk of the deferred tax assets included in the balance sheet derive from the carry-forward of the residual tax losses from the bond conversion under Law 289/2002. The rules governing the carry-forward of these losses are set out in Article 65 of Law 289/2002 as amended by Law 248/2005. They state that the losses may be utilized with no time restriction to offset up to 50 per cent of corporate taxable income each year. The inclusion of deferred tax assets in the balance sheet is based on the reasonable expectation – considering the outlook for the Bank's income and the applicable tax law – of offsetting the full amount of the above-mentioned tax losses. The other items that give rise to deferred tax assets include allocations to the provision for staff costs and depreciation allowances not yet deducted from tax.

Movements during the year in deferred tax assets and liabilities are set out in Tables 42 and 43 of 'Notes on the items of the profit and loss account'.

Sundry (Sub-item 11.7 on the asset side) includes the balance sheet total of the defined-contribution supplementary pension fund for staff hired after 28 April 1993, which is matched on the liability side by an equal amount entered in Sub-item 11.3 of *Other liabilities*. The other components are mainly payments on account of corporate income tax (IRES) and regional tax on productive activities (IRAP) made in 2015.

[7] Banknotes in circulation

The total value of banknotes in circulation issued by the Eurosystem is distributed among the NCBs according to their respective shares (see 'Legal basis, method of preparation and layout of the annual accounts'). The item, which represents the Bank of Italy's share (16.1 per cent¹³), is up by €9,797 million (from €164,527 million to €174,324 million). Instead, the value of banknotes effectively put into circulation by the Bank is in line with the value for the previous year (down from €142,159 million to €142,027 million). Because this amount is lower than the notional amount assigned to the Bank, the difference of €32,296 million gives rise to a claim on the Eurosystem entered in Item 9.3 on the asset side, *Net claims relating to the allocation of euro banknotes within the Eurosystem*. The average stock of banknotes effectively put in circulation is down from €137,323 million to €136,213 million, a decrease of 1 per cent compared with an 8.1 per cent increase for the euro area.

[8] Liabilities to general government and other counterparties

Item 4 on the liability side, which amounts to €7,709 million at the end of 2015 against €13,928 in 2014, refers mainly to the deposits held by the Treasury with the Bank of Italy (€4,752 million) and euro-denominated deposits of counterparties other than credit institutions (€2,888 million).

¹³ This is equal to 92 per cent of the Bank's share in the capital of the ECB (17.4890 per cent) considering only the Eurosystem NCBs. The remaining 8 per cent is assigned to the ECB.

GOVERNMENT DEPOSITS

Government deposits held with the Eurosystem are regulated by Decision ECB/2014/8 and Guideline ECB/2014/9 of 20 February 2014, amended by Guideline ECB/2014/22 and Decision ECB/2014/23 of 5 June 2014. Accordingly, (a) as of 1 December 2014, overnight and fixed term government deposits are remunerated with an interest rate no higher than the Eonia and the Eurepo respectively; (b) as of June 2014, the total amount of government deposits that can be remunerated is the higher of either the sum of €200 million or 0.04 per cent of GDP, and any amount in excess is remunerated with an interest rate of zero per cent or with the interest rate on the deposit facility, if negative.

Table 23

Liabilities to other euro-area residents (Item 4) (thousands of euros)			
	31.12.2015	31.12.2014	Changes
4.1 General government	4,820,695	7,858,664	-3,037,969
4.1.1 Treasury payment account	4,751,991	7,740,799	-2,988,808
4.1.2 Sinking fund for the redemption of govt securities	–	977	-977
4.1.3 Other liabilities	68,704	116,888	-48,184
4.2 Other counterparties	2,888,365	6,069,476	-3,181,111
Total	7,709,060	13,928,140	-6,219,080

The year-end balance on the Treasury deposits with the Bank of Italy is down slightly with respect to 2014, but the annual average balance is up from €15,033 million to €18,635 million.

In accordance with Law 190/2014 and following the ECB's monetary policy guidelines, at the beginning of 2015 the Bank of Italy transferred the sinking fund for the redemption of government securities, including the balance, to Cassa depositi e prestiti SpA.

At 31 December 2015 *Other liabilities* consist exclusively of debtor positions with general government in respect of advances received for the management of cross-border euro payments and collections amounting to €69 million (compared with €110 million in 2014).

THE NATIONAL RESOLUTION FUND

Legislative Decree 180/2015 transposing Directive 2014/59/EU (Bank Recovery and Resolution Directive) provides for one or more Italian resolution funds to be set up to finance the resolution of credit institutions and investment firms in difficulty. The Bank of Italy has been designated National Resolution Authority and has set up the National Resolution Fund in accordance with Article 78 of the above decree. The Fund has its own capital which is to all effects and purposes independent and separate from that of the Bank and from any other capital the Bank manages, as well as from the capital of each of the contributors to the Fund's resources. The Fund will issue an annual report that is audited and published at the same time as the Bank's annual accounts.

Liabilities to other counterparties (Sub-item 4.2) amount to €2,888 (Table 23), down from €6,069 in 2014 owing to the absence of deposits of customers using the ERMS, totalling €4,805 million in 2014. Other deposits making up the item include the holdings of the National Resolution Fund set up by the Bank of Italy as National Resolution Authority.

[9] Liabilities to non-euro-area residents denominated in euros

Sub-item 5.2 *Other liabilities* amounts to €23 million (€24 million in 2014) and relates mainly to accounts held by customers using the ERMS.

[10] Other liabilities

As detailed below:

Table 24

Other liabilities (Item 11) (thousands of euros)			
	31.12.2015	31.12.2014	Changes
11.1 Cashier's cheques	119,447	117,846	1,601
11.2 Accruals and income collected in advance	2,791	2,253	538
11.3 Sundry	1,316,173	1,336,698	-20,525
of which: <i>supplementary pension fund</i>	390,389	353,258	37,131
Total	1,438,411	1,456,797	-18,386

Accruals and income collected in advance (Sub-item 11.2) are detailed below:

Table 25

Accruals and income collected in advance (Sub-item 11.2) (thousands of euros)			
	31.12.2015	31.12.2014	Changes
Accrued expenses	2,181	2,146	35
Interest accrued on current accounts (covering the minimum reserve system)	724	519	205
Interest accrued on liabilities denominated in foreign currency	1,457	1,521	-64
Other	–	106	-106
Income collected in advance	610	107	503
Other	610	107	503
Total	2,791	2,253	538

[11] Provisions and provision for general risks

The balances and movements of *Provisions* are shown in Tables 26 and 27.

Table 26

Movements in provisions for specific risks (Sub-item 12.1) (thousands of euros)			
	Insurance provision	Tax provision (1)	Total
Opening balance	309,874	660,223	970,097
Increases	–	543,050	543,050
Allocations	–	539,700	539,700
Other increases	–	3,350	3,350
Decreases	–	-649,499	-649,499
Withdrawals	–	-648,605	-648,605
Other decreases	–	-894	-894
Closing balance	309,874	533,774	863,648

(1) Other increases and Other decreases include the change in deferred tax liabilities.

The decrease in *Provisions for specific risks* (Sub-item 12.1) is due to the net change in the *Tax provision*.

Table 27

Movements in staff-related provisions (Sub-item 12.2) (thousands of euros)					
	For staff severance pay and pensions	For staff costs	For severance pay (1)	For grants to BI pensioners and their survivors	Total
Opening balance	6,611,910	162,102	2,330	2,686	6,779,028
Increases	–	130,931	440	87	131,458
Allocations	–	130,931	65	87	131,083
Other increases	–	–	375	–	375
Decreases	-434	-89,684	-81	–	-90,199
Withdrawals	-434 (2)	-89,684	-81	–	-90,199
Other decreases	–	–	–	–	–
Closing balance	6,611,476	203,349	2,689	2,773	6,820,287

(1) Includes severance pay accrued by contract staff and ordinary staff prior to joining the supplementary pension fund. – (2) Includes the transfer of severance payments of participants in the supplementary pension fund.

Staff-related provisions (Sub-item 12.2) amount to €6,820 million. In 2015:

- the severance pay provision is unchanged at €6,611 million, with a small surplus of about €89 million over total commitments for pensions and severance pay at 31 December 2015 that is prudentially left in the provision;
- the provision for staff costs amounts to €203 million at the end of 2015. Of this figure €79 million is in respect of measures associated with the reorganization of the Bank's branch network in 2008 and 2015.

On 30 March 2015 the Board of Directors approved a new plan to reorganize the branch network to be carried out over a period of three years. Under the plan the responsibilities of the largest branches will increase, 3 detached banking supervision units will be re-assigned to the nearest branches, and 19 branches with limited activity will be closed. The measures to be introduced to support the downsizing and reorganization

include voluntary early retirement for staff at the branches due for closure on condition that they meet the age and contribution requirements and apply within the deadline. The allocation for the year is computed on the basis of the best estimate of the number of staff likely to take up the offer.

Table 28

Movements in the provision for general risks (Item 14) (thousands of euros)		
	31.12.2015	31.12.2014
Opening balance	17,173,675	15,373,675
Increases	2,200,000	1,800,000
Allocations	2,200,000	1,800,000
Decreases	–	–
Withdrawals	–	–
Closing balance	19,373,675	17,173,675

The financial buffers have again been adjusted to reflect the size of the Bank's balance sheet and the risk exposure associated with the gradual rolling out of the private and public securities purchases programmes conducted by the Eurosystem starting in the second half of 2014 and then upgraded in early 2016. In order to gradually augment the resources available to cope with the most adverse scenarios the *Provision for general risks* (Item 14) has been increased by €2,200 million (€1,800 million in 2014).

[12] Revaluation accounts

These include the valuation at market prices of gold, foreign currency, securities and forward operations (see *Gold, assets and liabilities denominated in foreign currency* and *Securities portfolio*).

Table 29

Revaluation accounts (Item 13) (thousands of euros)				
	Opening balance	Withdrawals	Net revaluations	Closing balance
Exchange rate revaluations	62,452,666		1,573,897	64,026,563
of which: <i>gold</i>	58,443,748		-1,146,486	57,297,262
<i>net foreign currency assets</i> (1)	4,008,353		2,720,948	6,729,301
<i>securities relating to the investment of reserves and provisions</i> (1)	565		-565	–
Price revaluations	3,747,901		206,092	3,953,993
of which: <i>foreign currency securities</i>	221,408		-91,739	129,669
<i>securities denominated in euros</i>	757,906		-70,192	687,714
<i>securities relating to the investment of reserves and provisions</i>	2,768,587		368,023	3,136,610
Revaluations at 1 January 1999	1	-1		–
Total	66,200,568	-1	1,779,989	67,980,556

(1) Includes net revaluations relating to operations to hedge exchange rate risks on the Bank's SDR position and foreign currency investments relating to reserves and provisions

[13] Capital and reserves

As detailed below:

Table 30

Capital and reserves (Item 15) (thousands of euros)			
	31.12.2015	31.12.2014	Changes
15.1 Capital	7,500,000	7,500,000	–
15.2 Statutory reserves (under Article 39 of the Statute)	9,806,732	9,057,172	749,560
Ordinary	5,195,931	4,596,283	599,648
Extraordinary	4,610,801	4,460,889	149,912
15.3 Other reserves	7,739,511	7,739,511	–
Revaluation reserve under Law 72/1983	694,502	694,502	–
Revaluation reserve under Law 408/1990	683,274	683,274	–
Revaluation reserve under Law 413/1991	16,943	16,943	–
Revaluation reserve under Law 342/2000	896,577	896,577	–
Revaluation reserve under Law 266/2005	1,521,240	1,521,240	–
Fund for the renewal of tangible fixed assets	1,805,044	1,805,044	–
Surplus from the merger of UIC (Law 231/2007)	2,121,931	2,121,931	–
Total	25,046,243	24,296,683	749,560

The movements in the ordinary and extraordinary reserves are detailed below:

Table 31

Movements in ordinary and extraordinary reserves (Sub-item 15.2) (thousands of euros)			
	Balance at 31.12.2014	Allocation of 2014 profit (1)	Balance at 31.12.2015
Ordinary	4,596,283	599,648	5,195,931
Extraordinary	4,460,889	149,912	4,610,801
Total	9,057,172	749,560	9,806,732

(1) Under Article 40 of the Statute.

The distribution of the shareholdings in the Bank of Italy's capital at 31 December 2015 is detailed in Table 32. Share transfers during the year involve about 13 per cent of the Bank's share capital. For the most part they are connected with the reassignment of the shareholdings as part of the reorganization of the Bank's ownership structure pursuant to Law 5/2014.

Table 32

Shareholders in the Bank of Italy				
	At the end of 2015		At the end of 2014	
	Number	Shares	Number	Shares
SpAs engaged in banking, including companies in Article 1, Legislative Decree 356/1990	49	226,675	52	253,500
Social security institutions	7	48,500	2	17,000
Insurance companies	5	23,525	4	29,500
Banking foundations	3	1,300	–	–
Total	64	300,000	58	300,000

Off-balance-sheet accounts

The item amounts to €157,147 million at the end of 2015 as detailed below.

Table 33

Off-balance-sheet accounts (thousands of euros)			
	31.12.2015	31.12.2014	Changes
Orders in progress	67,272	146,834	-79,562
Purchases	34,068	126,464	-92,396
Sales	33,204	20,370	12,834
Forward operations	3,553,902	2,365,586	1,188,316
Forward sales of foreign currencies	1,910,198	1,273,634	636,564
Forward purchases of foreign currencies	364,302	–	364,302
Futures contracts purchased	1,228,771	1,006,129	222,642
Futures contracts sold	50,631	85,823	-35,192
Commitments	38,694,335	38,342,695	351,640
To the IMF for loans granted	38,694,335	38,342,648	351,687
Other	–	47	-47
Collateral granted	12,994	12,045	949
Third-party securities and valuables on deposit with the Bank	102,613,994	111,424,295	-8,810,301
Total balance sheet of the National Resolution Fund	1,751,563	–	1,751,563
Memorandum accounts of the supplementary pension fund	10,063,871	498,567	9,565,304
Total	156,757,931	152,790,022	3,967,909

Forward sales of foreign currency include the commitment arising from exchange rate risk hedging operations on the Bank's SDR position and foreign currency investments relating to reserves and provisions (see *Securities portfolio*).

Commitments to the IMF for granting loans relate to measures by the IMF for financing to be disbursed on behalf of the Italian government.

The Bank participates in the automatic securities lending programmes managed by specialized intermediaries, involving securities forming part of foreign currency assets, covered bonds purchased in connection with monetary policy operations, and as of May 2015 the portfolio of securities purchased under the PSPP. The market value of securities lent by the Bank under these programmes amounts to €49 million for foreign currency securities, €15,674 million for covered bonds, and €27,707 million for PSPP securities.

The off-balance-sheet accounts include the balance sheet total of the National Resolution Fund set up within the Bank under Article 78 of Legislative Decree 180/2015 (see 'Notes on the items of the balance sheet' – *Liabilities to general government and other counterparties*).

Notes on the items of the profit and loss account

[14] Net interest income

Net interest income (Item 1) is the balance of interest income and interest expense for the year, excluding interest on financial assets relating to the investment of reserves and provisions, which is entered under Item 6. The €140 million increase (from €5,296 million to €5,436 million) is due mainly to the increase in interest on securities denominated in euros and in foreign currency and to a reduction in the interest paid on government deposits. Almost all of the decline in interest income from re-financing operations is offset by the reduction in interest payments on intra-ESCB balances connected with TARGET2.

Total interest income amounts to €5,569 million (Table 34), down €146 million on 2014.

Table 34

Interest income (Sub-item 1.1) (1) (thousands of euros)			
	2015	2014	Changes
On assets denominated in euros	5,294,118	5,472,906	-178,788
<i>Securities</i>	5,127,101	5,051,503	75,598
<i>Lending operations</i>	138,966	340,632	-201,666
<i>Intra-ESCB balances</i>	18,845	37,139	-18,294
<i>Current accounts (covering the minimum reserve system)</i>	679	–	679
<i>Other</i>	8,527	43,632	-35,105
On assets denominated in foreign currency	274,685	242,073	32,612
<i>Securities</i>	256,595	223,763	32,832
<i>Receivables from the IMF</i>	6,096	10,387	-4,291
<i>Other</i>	11,994	7,923	4,071
Total	5,568,803	5,714,979	-146,176

(1) Interest earned on financial assets relating to the investment of reserves and provisions is shown as a separate income item (see *Net income from financial assets relating to the investment of reserves and provisions*).

Interest income on euro-denominated securities amounts to €5,127 million. The increase of €76 million on the previous year is due to a substantial rise in holdings of securities, mainly relating to purchases under the PSPP, that is partly offset by an equally large decline in the average yields.

The item breaks down as follows:

- €709 million (the same amount as in 2014) from the government bond conversion under Law 289/2002;
- €324 million (€290 million in 2014) on securities held for monetary policy purposes under the three CBPPs;

- c) €1,188 million (€1,417 million in 2014) on securities held for monetary policy purposes under the SMP;
- d) €358 million (not present in 2014) on securities held for monetary policy purposes under the PSPP; and
- e) €2,548 million (€2,635 million in 2014) on other bonds.

Interest income from re-financing operations amounts to €139 million, €202 million less than in 2014. The income from MROs is down from €18 million to €7 million and that on longer-term operations from €322 million to €132 million. The decline is due to the large contraction in average interest rates¹⁴ and in the case of LTROs also to the reduction in the average volume (see 'Notes on the items of the balance sheet' – *Monetary policy operations*).

Interest income on intra-ESCB balances shows a decrease from €37 million to €19 million as a result of the decline in the interest on *Net claims relating to the allocation of euro banknotes within the Eurosystem*, down from €27 million to €16 million, and on *Claims arising from the transfer of foreign reserves to the ECB*, down from €10 million to €3 million (see 'Notes on the items of the balance sheet' – *Intra-Eurosystem claims and liabilities*).¹⁵ This is due to the lower level of average interest rates, which are only partly offset by an increase in stocks in the case of claims relating to the allocation of banknotes.

In 2015 there is a positive balance of €1 million on interest expense on current accounts for the minimum reserve system, which is entered under interest income. The interest paid on minimum reserves¹⁶ amounts to €7 million for the year, while the interest received on reserves in excess of the requirement, applying the negative interest rates on the deposit facility, amounts to €8 million.

Among other interests denominated in euros, the interest income on liquidity providing operations with national counterparties not relating to Eurosystem monetary policy is down from €31 million to €2 million, while that on repurchase agreements in euros is virtually nil (€10 million in 2014). On the other hand, interest income on deposits of non-bank intermediaries amounts to €3 million owing to the negative rate applied to the deposit facility.

¹⁴ The ECB Governing Council has left the interest rates on MROs and the marginal lending facility unaltered for 2015; they have been stable since September 2014 at the unprecedentedly low levels of 0.05 and 0.30 per cent respectively. In December 2015 the negative interest rate on the deposit facility was reduced to its lowest ever level (from -0.20 to -0.30 per cent). In 2014 the Governing Council established that the negative interest rate on the deposit facility would also apply to (a) banks' reserves in excess of the reserve requirement; (b) government deposits with Eurosystem central banks in excess of the amounts fixed by the ECB; (c) the deposits of ERMS users that are not remunerated at present; (d) the balances in TARGET2 of ESCB NCBs not belonging to the Eurosystem; and (e) other third parties' accounts with Eurosystem central banks that are not remunerated at present or are remunerated at the interest rate on the deposit facility.

¹⁵ Balances from the allocation of euro banknotes within the Eurosystem are remunerated at the marginal rate of interest on MROs. The remuneration on claims arising from the transfer of reserves to the ECB is also based on the marginal interest rate on MROs, less 15 per cent to take account of the part of reserves consisting of gold, which does not generate interest.

¹⁶ The accounts for the minimum reserves requirement are remunerated at the average of the marginal interest rates on Eurosystem MROs during the reserve maintenance period. Reserves in excess of the requirement are remunerated at the interest rate on the deposit facility, which was negative throughout 2015.

Among interest income on assets denominated in foreign currency, that on securities increases due to a rise in the average value, while that on claims against the IMF shows a decrease, mainly following the reduction of reference rates.

Interest expense amounts to €133 million (Table 35). This represents a decrease of €286 million overall with respect to 2014.

Table 35

Interest expense (Sub-item 1.2) (thousands of euros)			
	2015	2014	Changes
On liabilities denominated in euros	127,205	411,791	-284,586
<i>Treasury payments account</i>	24,762	46,942	-22,180
<i>Treasury fixed-term deposits</i>	–	32,982	-32,982
<i>Current accounts (covering the minimum reserve system)</i>	–	18,922	-18,922
<i>Intra-ESCB balances</i>	102,169	303,152	-200,983
<i>Other</i>	274	9,793	-9,519
On liabilities denominated in foreign currency	5,651	7,249	-1,598
<i>Counterpart of SDRs allocated by the IMF</i>	4,155	6,342	-2,187
<i>Other</i>	1,496	907	589
Total	132,856	419,040	-286,184

The net interest expense on the Treasury payments account is down from €47 million to €25 million. The total for 2015¹⁷ includes interest paid on the part eligible for remuneration and the additional interest due to the Treasury¹⁸ of €62 million (€65 million in 2014) net of €37 million (€20 million in 2014) interest income as a result of applying the negative interest rates on the deposit facility to the excess balance.

There is no interest expense for the Treasury's fixed-term deposits (€33 million in 2014) which have been inactive during the year.

As mentioned above, the balance of interest expense on current accounts covering the minimum reserve system is positive in 2015 and entered under interest income.

The large reduction in interest expense on negative balances in TARGET2, from €303 million to €102 million, is due to the lower rate of remuneration, only partly offset by an increase in the average amounts.¹⁹

Among other interest on liabilities denominated in euros, payments to ERMS customers are virtually nil, compared with €7 million in 2014.

¹⁷ See 'Notes on the items of the balance sheet' – *Liabilities to general government and other counterparties* and the box 'Government deposits'.

¹⁸ Supplementary interest is paid to the Treasury under Presidential Decree 398/2003 (Consolidated law containing provisions and rules on the public debt). It is computed on the basis of the daily balance on the Treasury's interest-bearing account as the difference, if positive, between the yield on the securities originally purchased by the Bank to set up the related holdings and not yet matured and the reference rate used to compute the interest on the account.

¹⁹ The balance in TARGET2 is remunerated at the marginal rate of interest on MROs.

Interest expense for liabilities denominated in foreign currency shows a decrease in the interest paid on SDRs.

[15] Net result of financial operations, write-downs and transfers to/from risk provisions

Item 2 of the profit and loss accounts consists of the profits and losses on financial operations (Sub-item 2.1), write-downs due to exchange rate or price changes on assets and financial positions (Sub-item 2.2), and transfers to the provision for general risks (Sub-item 2.3). The result for 2015 (Table 36) includes (a) net profit from foreign exchange trading for €311 million; (b) net profit from trading in securities denominated in euros for €25 million and in foreign currency for €65 million; and (c) write-downs due to exchange rate changes (€80 million) and price changes (€36 million). Net profit on foreign exchange trading relates mainly to assets denominated in US dollars; write-downs due to exchange rate changes concern only assets in Canadian dollars.

Table 36

Net result of financial operations, write-downs and transfers to/from risk provisions (Item 2) (thousands of euros)			
	2015	2014	Changes
Profits (+) and losses (-) on financial operations	406,749	142,242	264,507
<i>Foreign exchange trading</i>	310,744	107,339	203,405
<i>Trading in securities denominated in euros</i>	24,962	6,264	18,698
<i>Trading in securities denominated in foreign currency</i>	65,381	43,529	21,852
<i>Derivative contracts denominated in foreign currency</i>	4,445	-15,620	20,065
<i>Other transactions</i>	1,217	730	487
Write-downs (-) of financial assets and positions	-116,072	-5,637	-110,435
<i>Due to exchange rate changes</i>	-79,654	-59	-79,595
<i>Due to price changes</i>			
– <i>securities denominated in euros</i>	-2,152	-3	-2,149
– <i>securities denominated in foreign currency</i>	-34,266	-5,575	-28,691
Transfers to (-) the provision for general risks for exchange rate, price and credit risks	2,200,000	-1,800,000	-400,000
Total	-1,909,323	-1,663,395	-245,928

Transfers to the provision for general risks amount to €2,200 million.

[16] Net income from fees and commissions

The net result for the year (Item 3) amounts to €12 million, down €2 million on the previous year. *Fee and commission income* (Sub-item 3.1) includes the fees payable by participants in TARGET2 (€6 million), the fees payable for the management of securities used as collateral for monetary policy operations (€3 million), fees for financial services on behalf of general government (€4 million), fees for substitute

protest declarations (€2 million), fees for Correspondent Central Banking Model services (€1 million), those for the retail clearing system (€3 million) and those for use of Central Credit Register information (€2 million). *Fee and commission expense* (Sub-item 3.2) relates primarily to the centralized securities management service (€8 million).

[17] Income from participating interests

Income from participating interests (Item 4) amounts to €168 million, down €13 million on the previous year. It comprises:

- €26 million, being the Bank's share of the ECB's profits earned in 2014 and distributed in 2015 (€11 million in the previous year);
- €142 million, being the ECB's interim²⁰ profit distribution for 2015 (€148 million in 2014).

The result for the previous year includes €22 million for the adjustment of the share in the ECB's capital among the Eurosystem NCBs.

[18] Net result of the pooling of monetary income

The result for 2015 is €170 million (Item 5) consisting of:

- the Bank of Italy's share of the pooling of monetary income amounting to €168 million (€100 million in 2014). This is the difference between the monetary income pooled by the Bank, amounting to €1,403 million, and that distributed, totalling €1,571 million;
- the result, positive for €2 million, of the recalculation of monetary income for previous years (€121 million in 2014).

MONETARY INCOME

Each NCB's monetary income (for pooling) is equal to its annual income derived from the earmarkable assets held against its liability base. An NCB's liability base consists primarily of (a) banknotes in circulation; (b) liabilities to euro-area credit institutions relating to monetary policy operations denominated in euros; (c) net intra-Eurosystem liabilities resulting from TARGET2 transactions; and (d) net intra-Eurosystem liabilities relating to the allocation of euro banknotes within the Eurosystem. The interest paid on the liabilities included in the liability base is deducted from the monetary income to be pooled. An NCB's earmarkable assets comprise mainly (a) lending to euro-area credit institutions relating to monetary policy operations; (b) securities held for monetary policy purposes;

²⁰ The balance of €47 million was received in February 2016.

(c) intra-Eurosystem claims arising from the transfer of reserves to the ECB; (d) net intra-Eurosystem claims resulting from TARGET2 transactions; (e) (net) intra-Eurosystem claims relating to the allocation of euro banknotes within the Eurosystem; and (f) a limited amount of gold holdings and gold receivables in proportion to each NCB's subscribed capital key. Gold is not considered to generate interest; securities purchased under the CBPP1 and CBPP2 (Decision ECB/2009/16 and Decision ECB/2011/17 of the Governing Council) and public sector securities purchased under the PSPP (Decision ECB/2015/10) are considered to bear interest at the marginal rate used by the Eurosystem for MROs. Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference is offset by applying the marginal rate used by the Eurosystem for MROs.

The total monetary income pooled by the Eurosystem is redistributed to each NCB according to its capital key. The difference between the monetary income pooled by each NCB and the amount, which may be larger or smaller, redistributed to it depends on two elements. The first relates to possible differences between NCBs regarding the interest income from specific earmarkable assets and the interest expense for some components of the liability base. The second element arises from the fact that the amounts of the above assets and liabilities in the NCBs' balance sheets do not generally coincide with their share in the capital of the ECB.

The monetary income thus distributed, along with other income from investments (including investments of capital and reserves), contributes to the profit or loss for the year.

[19] Net income from financial assets relating to the investment of reserves and provisions

Item 6 of the profit and loss account amounts to €1,714 million, down €176 million on 2014 (Table 37). The decrease is due to the reduction in interest income and the lower net profit from trading, which are only partly offset by an increase in dividends. Net profit from trading for the previous year includes €101 million from the sale of the Bank's controlling interest in Bonifiche Ferraresi SpA. The further decline in income from interest is due mainly to the smaller average stock of bond holdings.

Table 37

Net income from financial assets relating to the investment of reserves and provisions (Item 6) (thousands of euros)			
	2015	2014	Changes
Interest	990,045	1,109,746	-119,701
Dividends from shares and participating interests	280,732	187,615	93,117
Profits/losses from trading and disposals	489,155	649,945	-160,790
Write-downs	-85,249	-90,566	5,317
Other components	39,429	33,180	6,249
Total	1,714,112	1,889,920	-175,808

[20] Other income

Other income (Item 8) amounts to €66 million, down €28 million with respect to the previous year (Table 38).

Table 38

Other income (Item 8) (thousands of euros)			
	2015	2014	Changes
Rental income	5,299	5,745	-446
Procedures, studies and designs completed	10,112	10,145	-33
Other	50,480	77,558	-27,078
Total	65,891	93,448	-27,557

The item includes reimbursement from other Eurosystem NCBs for the development of platforms, applications and IT infrastructure by the Bank of Italy in cooperation with the other central bank providers. The decrease is due for the most part to reimbursements for the TARGET2 and TARGET2-Securities platforms amounting to €38 million in 2015, against €64 in 2014.

[21] Expenses and charges

Expenses and charges (Item 9) amount to €1,795 million, against €1,948 in 2014.

Table 39

Sundry expenses and charges (Item 9) (thousands of euros)			
	2015	2014	Changes
Staff wages and salaries	616,209	609,777	6,432
Social security and insurance	158,239	157,454	785
Other staff costs	40,754	45,726	-4,972
Pensions and severance payments	290,474	275,116	15,358
Transfers from/ to provisions for accrued expenses and staff severance pay and pensions	49,911	217,991	-168,080
Emoluments paid to head office and branch collegial bodies	3,039	3,095	-56
Administrative expenses	443,187	453,412	-10,225
Depreciation of tangible and intangible fixed assets	152,798	150,423	2,375
Banknote production services (1)	—	—	—
Other expenses	40,274	34,908	5,366
Total	1,794,885	1,947,902	-153,017

(1) Costs for external banknote production services and purchases of banknotes.

The decrease is mainly due to a reduction in the Sub-item *Transfers from/to provisions for accrued expenses and staff severance pay and pensions*. The update in 2015 of economic and financial parameters to compute the mathematical reserves for staff

severance pay and pensions does not entail any additional transfers (See 'Notes on the items of the balance sheet' – *Provisions and provision for general risks*).

Gross employee compensation (including that of contract workers), comprising wages and salaries, overtime and accrued expenses not yet paid, amounts to €616 million, against €610 million in 2014. The average number of full-time equivalent employees (taking into account overtime, part-time and unpaid absences) is 7,331. The average gross per capita wage is €84,055, up from €81,456 in 2014.

Total staff costs, i.e. gross wages and salaries plus related costs (pension and social security contributions) and other staff costs (including per diem expenses for missions and transfers), amount to €815 million, against €813 million in 2014.

Table 40

The Bank's staff				
	Average number of employees in service		Percentage composition	
	2015	2014	2015	2014
Managerial	2,095	2,078	30.0	29.5
Non-executive	4,120	4,167	59.0	59.1
General services and security	318	340	4.6	4.8
Production workers	445	461	6.4	6.5
Total	6,978	7,046	100.0	100.0
Contract workers	37	31		

The *Emoluments paid to head and branch office collegial bodies* comprise the emoluments paid to members of the Board of Directors (€412,230), the Board of Auditors (€137,430) and the Governing Board. The Board of Directors has fixed, as of 2014, the emoluments to be paid to future members of the Governing Board at €450,000 to the Governor, €400,000 to the Senior Deputy Governor and €315,000 to each of the three Deputy Governors. The Governor, the Senior Deputy Governor and the three Deputy Governors in office have voluntarily adjusted their emoluments accordingly for the duration of their term.

Administrative expenses amount to €443 million (€453 million in 2014). The decrease is due above all to the absence of the expenses incurred by the Bank in 2014 in connection with the launch of the Single Supervisory Mechanism, in particular the cost of the asset quality review required by the ECB. The cost of raw materials and subsidiary materials for banknote production instead is up from €46 million to €63 million, that of building maintenance from €50 million to €57 million, and that of participation in TARGET2 and TARGET2-Securities from €7 million to €10 million. Spending on security services and banknote escort is down from €65 million to €58 million, while there is virtually no change in spending on systems assistance (€33 million), utilities (€25 million), electronic transmission (€14 million), equipment rental (€14 million) and external software leasing and maintenance (€42 million).

Other expenses, amounting to €40 million, include €34 million for taxes, of which €26 million for IMU (municipal property tax) and TASI (municipal services tax).

[22] Extraordinary income and expenses

Extraordinary income and expenses (Item 11) show a negative balance of €53 million. The result is due to an increase of €45 million in provisions for charges associated with early retirement measures to take account of expenses entailed by the current reorganization (see 'Notes on the items of the balance sheet' – *Provisions and Provision for general risks*).

Extraordinary income (Sub-item 11.1), amounting to €6 million, includes adjustments to costs relating to previous years (€3 million) and adjustments to income (€2 million). *Extraordinary expense* (Sub-item 11.2), amounting to €59 million, includes not only the above allocation of €45 million but also tax costs for €7 million and costs relating to previous years (€4 million).

[23] Taxes on income for the year and on productive activities

Taxes for the year (Item 12) amount to €1,012 million and comprise both the current taxes due and the change in deferred tax assets and liabilities (see *Deferred tax assets* in 'Notes on the items of the balance sheet' – *Other assets*).

Table 41

Composition of taxes on income for the year (Item 12) (thousands of euros)						
	2015			2014		
	IRES	IRAP	Total	IRES	IRAP	Total
Current taxes (-)	-320,300	-219,400	-539,700	-384,200	-265,300	-649,500
Change in deferred tax assets (+/-)	-478,266	9,160	-469,106	-508,317	137	-508,180
Change in deferred tax liabilities (+/-)	-3,342	-8	-3,350	-1,143	93	-1,050
Taxes for the year (-)	-801,908	-210,248	-1,012,156	-893,660	-265,070	-1,158,730

Table 42

Movements in deferred tax assets (thousands of euros)			
	IRES	IRAP	Total
Initial amount	3,175,284	8,797	3,184,081
Increases	36,091	9,161	45,252
Deferred tax assets recognized during the year	36,091	9,104	45,195
New taxes or increases in tax rates	–	57	57
Decreases	-514,357	-1	-514,358
Deferred tax assets cancelled during the year	-514,357	-1	-514,358
of which: relating to tax losses carried forward	-490,266	–	-490,266
Final amount	2,697,018	17,957	2,714,975

IRES for the year amounts to €802 million (€894 million in 2014), of which €320 million for current taxes and €482 million for the net change in deferred tax

assets and liabilities. The latter is due almost exclusively to the reduction in deferred tax assets from offsetting past tax losses (€490 million).

Table 43

Movements in deferred tax liabilities <i>(thousands of euros)</i>			
	IRES	IRAP	Total
Initial amount	9,249	1,474	10,723
Increases	3,905	9	3,914
Deferred tax liabilities recognized during the year	3,905	–	3,905
New taxes or increases in tax rates	–	9	9
Decreases	-563	-1	-564
Deferred tax liabilities cancelled during the year	-563	-1	-564
Final amount	12,591	1,482	14,073

The total charge for IRAP is €210 million (€265 million in 2014). Current taxes amount to €219 million and the net change in deferred tax assets and liabilities is positive by €9 million.

PROPOSALS OF THE BOARD OF DIRECTORS

Pursuant to the Statute, the Board of Directors, acting on a proposal of the Governing Board and after hearing the opinion of the Board of Auditors, proposes the following allocation of net profit for approval by the Meeting of Shareholders:

– to the ordinary reserve	€	300,000,000
– to the shareholders, a dividend of	€	340,000,000
– to the State, the remaining amount of	€	<u>2,157,179,983</u>
Total	€	<u>2,797,179,983</u>

THE GOVERNOR
Ignazio Visco

**DOCUMENTS ATTACHED
TO THE ANNUAL ACCOUNTS**

REPORT OF THE BOARD OF AUDITORS

ON THE 122ND FINANCIAL YEAR OF THE BANK OF ITALY
AND THE ACCOUNTS FOR THE YEAR ENDING 31 DECEMBER 2015

To the shareholders,

We have examined the annual accounts of the Bank of Italy for the year ending 31 December 2015, drawn up in accordance with the accounting standards and valuation methods decided by the Board of Directors and agreed by us, which are described in detail in the Notes to the Accounts.

We have conducted our examination of the annual accounts in accordance with the rules and principles of conduct for the Board of Auditors issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili. We have also taken the same principles into account in performing the checks required by Article 20 of the Bank of Italy's Statute.

In our opinion the annual accounts of the Bank of Italy for the year ending 31 December 2015 have been prepared in accordance with the accounting standards and valuation methods indicated in the Notes to the Accounts. They comply with the law in force and with the harmonized accounting rules laid down by the Governing Council of the ECB and made applicable for the purposes of the annual accounts by Article 8 of Legislative Decree 43/1998.

We call particular attention to the following matters, which are treated at length in the Notes to the Accounts and the Management Report.

- a) The inclusion in the balance sheet of deferred tax assets, deriving chiefly from the carry-forward of the residual tax loss from the bond conversion under Law 289/2002, is based on the reasonable expectation, considering the outlook for the Bank's income, of offsetting their full amount. Regarding the result for the year, deferred tax assets diminish by €469 million (from €3,184 million to €2,715 million).
- b) The Board of Directors has approved the transfer of €2,200 million to the provision for general risks, which is now expressly provided for in Article 39 of the new Statute.

We attest that in our opinion the total amount of the Bank's general and specific risk provisions is prudent. In particular, the *Provision for staff severance pay and pensions* is unchanged, with a small surplus of about €89 million over total commitments for pensions and severance pay at 31 December 2015 that is prudentially left in the provision.

We have examined the management report, required under Article 37 of the Statute, that accompanies the annual accounts and consider it to be consistent with said accounts.

During the financial year ending 31 December 2015 we verified compliance with the law, with the Bank's Statute and General Regulations, and with the principles of correct management.

We have attended all the meetings of the Board of Directors and performed the checks and controls within the scope of our authority, including checks on the quantities of cash and valuables belonging to the Bank and third parties. We have monitored the activity of the Bank's peripheral units, in accordance with Articles 20 and 21 of the Statute, with the assistance of the examiners at the main and local branches, whom we thank warmly.

We have examined the adequacy of the organizational arrangements governing the administrative and accounting aspects of the Bank to ensure their smooth operation and ascertained that the system in place is suitable to ensure a full and accurate accounting record of events. The accounts are kept in conformity with the standards and rules laid down by the law in force. The individual items of the annual accounts, which have also been audited by an independent auditing company, have been compared by us with the accounting records and found to conform with them.

No significant facts warranting mention in this report have emerged in the course of our auditing activity, as described above, or from our discussions with the external auditor and the heads of the corporate functions.

The accounts submitted for your approval show the following results:

Assets	€	587,837,285,030
Liabilities.....	€	559,993,861,793
Capital and reserves.....	€	<u>25,046,243,254</u>
Net profit for the year.....	€	<u>2,797,179,983</u>

Pursuant to Article 38 of the Statute, the Board of Directors proposes the following allocation of the net profit:

– to the ordinary reserve	€	300,000,000
– a dividend to the shareholders.....	€	340,000,000
– the remaining amount to the State.....	€	<u>2,157,179,983</u>
Total	€	<u>2,797,179,983</u>

To the shareholders,

Bearing in mind the provisions of Article 37.2 of the Statute, we recommend that you approve the annual accounts for 2015 that have been submitted to you (the balance sheet, the profit and loss account, the notes to the accounts and the management report) and the proposed allocation of the net profit for the year pursuant to Article 38 of the Statute.

At the end of our appointment, we thank you for the trust placed in us.

Rome, 13 April 2016

THE BOARD OF AUDITORS

Dario Velo (Chairman)
Lorenzo De Angelis
Gian Domenico Mosco
Angelo Riccaboni
Sandro Sandri

BALANCE SHEET FIGURES OF SUBSIDIARY COMPANIES

SIDIEF spa – SOCIETÀ ITALIANA DI INIZIATIVE
EDILIZIE E FONDIARIE – ROMA

STATO PATRIMONIALE AL 31 DICEMBRE 2015

ATTIVO	(importi in euro)	
	31.12.2015	31.12.2014
A) Crediti verso soci per versamenti ancora dovuti	–	–
B) Immobilizzazioni		
I <i>Immateriali</i>		
4) concessioni, licenze, marchi e diritti simili	79.194	26.928
7) altre	150.681	301.362
Totale	229.875	328.290
II <i>Materiali</i>		
1) terreni e fabbricati	525.207.806	509.950.509
2) impianti e macchinari	10.261	2.605
3) attrezzature industriali e commerciali	216.015	585
4) altri beni	263.554	250.197
Totale	525.697.636	510.203.896
III <i>Finanziarie</i>		
2) crediti		
d) verso altri	106.043	120.452
Totale immobilizzazioni finanziarie	106.043	120.452
Totale attivo immobilizzato	526.033.554	510.652.638
C) Attivo circolante		
I <i>Rimanenze</i>		
4) prodotti finiti e merci	–	1.045.771
5) acconti	–	30.098
Totale	–	1.075.869
II <i>Crediti</i>		
1) verso clienti		
– entro 12 mesi	8.772.792	7.414.137
4bis) crediti tributari		
– entro 12 mesi	819.949	39.733
4ter) imposte anticipate		
– entro 12 mesi	3.266.312	3.576.564
5) verso altri		
– entro 12 mesi	40.054	19.097
Totale crediti	12.899.107	11.049.531
III <i>Attività finanziarie che non costituiscono immobilizzazioni</i>		
6) altri titoli	6.062.940	27.515.490
Totale	6.062.940	27.515.490
IV <i>Disponibilità liquide</i>		
1) depositi bancari e postali	32.273.327	33.517.512
2) assegni	82.200	294.000
3) danaro e valori in cassa	1.702	1.373
Totale	32.357.229	33.812.885
Totale attivo circolante	51.319.276	73.453.775
D) Ratei e risconti attivi	238.801	304.160
Totale attivo	577.591.631	584.410.573

STATO PATRIMONIALE AL 31 DICEMBRE 2015

PASSIVO	(importi in euro)	
	31.12.2015	31.12.2014
A) Patrimonio netto		
I Capitale Sociale	507.000.000	507.000.000
II Riserva da sovrapprezzo delle azioni	21.222.851	21.222.851
III Riserve di rivalutazione	16.668.304	16.668.304
IV Riserva legale	3.950.073	3.906.465
VII Altre riserve		
– Riserva straordinaria facoltativa	2.154.198	2.154.198
Totale		
IX Utile (perdita) d'esercizio	2.007.157	872.157
Totale patrimonio netto	553.002.583	551.823.975
B) Fondi per rischi e oneri		
2) per imposte, anche differite	698.341	524.719
3) altri	9.229.311	13.494.030
Totale fondi per rischi e oneri	9.927.652	14.018.749
C) Trattamento fine rapporto di lavoro subordinato	1.951.578	1.835.166
D) Debiti		
6) acconti		
– entro 12 mesi	15.209	192.071
7) debiti verso fornitori		
– entro 12 mesi	7.552.905	7.086.330
12) debiti tributari		
– entro 12 mesi	189.547	5.019.145
13) debiti verso istituti di previdenza e di sicurezza sociale		
– entro 12 mesi	221.746	324.312
14) altri debiti		
– entro 12 mesi	4.463.641	4.110.783
Totale debiti	12.443.048	16.732.641
E) Ratei e risconti passivi	266.770	42
Totale passivo	577.591.631	584.410.573
CONTI D'ORDINE		
3) beni di terzi presso l'impresa		
– beni di terzi presso l'impresa a titolo di deposito o comodato	1	1
4) altri conti d'ordine	5.461.120	5.073.910
Totale conti d'ordine	5.461.121	5.073.911

CONTO ECONOMICO AL 31 DICEMBRE 2015

	(importi in euro)	
	2015	2014
A) Valore della produzione		
1) ricavi delle vendite e delle prestazioni	30.348.526	31.068.688
5) altri ricavi e proventi (vari)	9.233.715	8.552.922
Totale valore della produzione	39.582.241	39.621.610
B) Costi della produzione		
6) per materie prime, sussidiarie, di consumo e di merci	118.421	67.730
7) per servizi	9.897.505	10.060.650
8) per godimento di beni di terzi	137.652	154.262
9) per il personale		
a) salari e stipendi	4.099.693	3.587.311
b) oneri sociali	1.190.650	1.141.568
c) trattamento di fine rapporto	309.993	271.499
d) trattamento di quiescenza e simili	39.439	32.040
e) altri costi	201.749	11.931
<i>Totale</i>	<i>5.841.524</i>	<i>5.044.349</i>
10) ammortamenti e svalutazioni		
a) ammortamenti delle immobilizzazioni immateriali	190.431	165.002
b) ammortamenti delle immobilizzazioni materiali	6.035.036	6.007.725
c) svalutazioni dei crediti compresi nell'attivo circolante e delle disponibilità liquide	424.209	1.780.096
<i>Totale</i>	<i>6.649.676</i>	<i>7.952.823</i>
12) accantonamenti per rischi	77.477	13.000
14) oneri diversi di gestione	12.383.321	11.375.494
Totale costi della produzione	35.105.576	34.668.308
Differenza tra valore e costi di produzione (A-B)	4.476.665	4.953.302
C) Proventi e oneri finanziari		
16) Altri proventi finanziari		
c) da titoli iscritti nell'attivo circolante	619.982	711.414
d) proventi diversi dai precedenti (altri)	295.356	591.985
<i>Totale</i>	<i>915.338</i>	<i>1.303.399</i>
17) Interessi e altri oneri finanziari (altri)	468.380	89.250
17 bis) Utile e perdite su cambi	–	4
Totale proventi e oneri finanziari	446.958	1.214.145
D) Rettifiche di valore di attività finanziarie		
19) svalutazioni		
c) di titoli iscritti nell'attivo circolante	–	131.250
Totale rettifiche di valore di attività finanziarie	–	131.250
E) Proventi e oneri straordinari		
20) proventi		
– plusvalenze da alienazione	3.597.753	745.570
– imposte esercizi precedenti	273.786	234.902
– varie	465.653	4.049.085
<i>Totale proventi straordinari</i>	<i>4.337.192</i>	<i>5.029.557</i>
21) oneri		
– imposte esercizi precedenti	–	80.600
– varie	989.800	1.667.098
<i>Totale</i>	<i>989.800</i>	<i>1.747.698</i>
Totale delle partite straordinarie	3.347.392	3.281.859
Risultato prima delle imposte (A-B±C±D±E)	8.271.015	9.318.056
22) imposte su reddito dell'esercizio, correnti, differite e anticipate		
a) imposte correnti	5.779.983	6.918.921
b) imposte differite	173.622	-210.622
c) imposte anticipate	310.253	1.737.600
<i>Totale</i>	<i>6.263.858</i>	<i>8.445.899</i>
23) UTILE (PERDITA) DELL'ESERCIZIO	2.007.157	872.157

**REPORT OF THE INDEPENDENT
AUDITING COMPANY**

RELAZIONE DELLA SOCIETA' DI REVISIONE INDIPENDENTE AI SENSI DELL'ARTICOLO 37 DELLO STATUTO DI BANCA D'ITALIA

Ai Partecipanti al capitale di
Banca d'Italia

Relazione sul bilancio d'esercizio

Abbiamo svolto la revisione contabile dell'allegato bilancio d'esercizio di Banca d'Italia (di seguito, anche, "l'Istituto"), costituito dallo stato patrimoniale al 31 dicembre 2015, dal conto economico per l'esercizio chiuso a tale data e dalla nota integrativa.

Responsabilità degli Organi Direttivi dell'Istituto per il bilancio d'esercizio

Gli Organi Direttivi dell'Istituto sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità ai principi e criteri contabili dettati dalle norme speciali descritte nella nota integrativa.

Responsabilità della società di revisione

E' nostra la responsabilità di esprimere un giudizio sul bilancio d'esercizio sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai Principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'articolo 11, comma 3, del DLgs n° 39/10. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio d'esercizio non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio d'esercizio. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio d'esercizio dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio d'esercizio dell'Istituto che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno di Banca d'Italia. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli Organi Direttivi, nonché la valutazione della presentazione del bilancio d'esercizio nel suo complesso.

Riteniamo di aver acquisito elementi probativi sufficienti e appropriati su cui basare il nostro giudizio.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhler 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

Giudizio

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di Banca d'Italia al 31 dicembre 2015 e del risultato economico per l'esercizio chiuso a tale data, in conformità ai principi e criteri contabili dettati dalle norme speciali descritte nella nota integrativa.

Richiamo di informativa

Senza modificare il nostro giudizio, richiamiamo l'attenzione sulla seguente circostanza, più dettagliatamente descritta nella nota integrativa: il fondo rischi generali, interamente tassato e costituito con finalità di fronteggiare anche i rischi derivanti dalla complessiva attività dell'Istituto, è stato incrementato in seguito all'attribuzione deliberata dal Consiglio Superiore; tale adeguamento, effettuato mediante accantonamento a carico del conto economico dell'esercizio, è volto ad accrescere i presidi patrimoniali in considerazione della dimensione del bilancio dell'Istituto e dei rischi derivanti dalla progressiva realizzazione dei programmi di acquisto di titoli privati e pubblici avviati dall'Eurosistema a partire dalla seconda parte del 2014 e, da ultimo, ulteriormente rafforzati all'inizio del 2016.

Roma, 12 aprile 2016

PricewaterhouseCoopers SpA


Giovanni Ferraioli
(Revisore legale)

ADMINISTRATION OF THE BANK OF ITALY

AT 31 DECEMBER 2015¹

GOVERNING BOARD - DIRECTORATE

Ignazio VISCO	GOVERNOR
Salvatore ROSSI	SENIOR DEPUTY GOVERNOR
FABIO PANETTA	DEPUTY GOVERNOR
Luigi Federico SIGNORINI	DEPUTY GOVERNOR
Valeria SANNUCCI	DEPUTY GOVERNOR

BOARD OF DIRECTORS

Franca Maria ALACEVICH	Cesare MIRABELLI
Francesco ARGOLAS	Ignazio MUSU
Nicola CACUCCI	Lodovico PASSERIN D'ENTREVES
Carlo CASTELLANO	Stefano POSSATI
Paolo DE FEO	Donatella SCIUTO
Giovanni FINAZZO	Orietta Maria VARNELLI
Andrea ILLY	

BOARD OF AUDITORS

Dario VELO - CHAIRMAN	
Lorenzo DE ANGELIS	Gian Domenico MOSCO
Giovanni FIORI	Sandro SANDRI

ALTERNATE AUDITORS

Anna Lucia MUSERRA	Angelo RICCABONI
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HEAD OFFICE MANAGING DIRECTORS

Paolo MARULLO REEDTZ	- ACCOUNTANT GENERAL
Ebe BULTRINI	- DIRECTOR GENERAL FOR IT RESOURCES AND STATISTICS
Umberto PROIA	- DIRECTOR GENERAL FOR HUMAN RESOURCES AND ORGANIZATION
Eugenio GAIOTTI	- DIRECTOR GENERAL FOR ECONOMICS, STATISTICS AND RESEARCH
Marino Ottavio PERASSI	- GENERAL COUNSEL
Luigi DONATO	- DIRECTOR GENERAL FOR PROPERTY AND TENDERS
Emerico Antonio ZAUTZIK	- DIRECTOR GENERAL FOR MARKETS AND PAYMENT SYSTEMS
Carmelo BARBAGALLO	- DIRECTOR GENERAL FOR FINANCIAL SUPERVISION AND REGULATION
Letizia RADONI	- DIRECTOR GENERAL FOR CURRENCY CIRCULATION
Daniele FRANCO	- STATE ACCOUNTANT GENERAL
Giuseppe SOPRANZETTI	- MANAGING DIRECTOR WITH SPECIAL DUTIES AND MANAGER OF THE MILAN BRANCH

* * *

Claudio CLEMENTE	- DIRECTOR OF THE FINANCIAL INTELLIGENCE UNIT
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¹ Changes at 28.4.2016 are shown in the following page.

ADMINISTRATION OF THE BANK OF ITALY

AT 28 APRIL 2016

GOVERNING BOARD - DIRECTORATE

Ignazio VISCO	GOVERNOR
Salvatore ROSSI	SENIOR DEPUTY GOVERNOR
FABIO PANETTA	DEPUTY GOVERNOR
Luigi Federico SIGNORINI	DEPUTY GOVERNOR
Valeria SANNUCCI	DEPUTY GOVERNOR

BOARD OF DIRECTORS

Franca Maria ALACEVICH	Cesare MIRABELLI
Francesco ARGOLAS	Ignazio MUSU
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Carlo CASTELLANO	Stefano POSSATI
Paolo DE FEO	Donatella SCIUTO
Giovanni FINAZZO	Orietta Maria VARNELLI
Andrea ILLY	

BOARD OF AUDITORS

Dario VELO - CHAIRMAN	
Lorenzo DE ANGELIS	Gian Domenico MOSCO
Giovanni FIORI	Sandro SANDRI

ALTERNATE AUDITORS

Anna Lucia MUSERRA	Angelo RICCABONI
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HEAD OFFICE MANAGING DIRECTORS

Paolo MARULLO REEDTZ	- ACCOUNTANT GENERAL
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Daniele FRANCO	- STATE ACCOUNTANT GENERAL
Giuseppe SOPRANZETTI	- MANAGING DIRECTOR WITH SPECIAL DUTIES AND MANAGER OF THE MILAN BRANCH

* * *

Claudio CLEMENTE	- DIRECTOR OF THE FINANCIAL INTELLIGENCE UNIT
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