



BANCA D'ITALIA  
EUROSISTEMA

# Annual Accounts

Ordinary Meeting of Shareholders  
Rome, 28 March 2024

130<sup>th</sup> FINANCIAL YEAR

2023

Financial Year

130<sup>th</sup>



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EUROSISTEMA

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Rome, 28 March 2024

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\* Official Italian version





## THE BANK OF ITALY'S 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 and are accompanied by the management report pursuant to Article 37 of the Bank's Statute.

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 banks of issue).

### MANAGEMENT REPORT

#### *The Bank of Italy's functions and their implications for the annual accounts*

The management report briefly describes the Bank of Italy's governance and contains information on assets, liabilities and profit and loss, which is aimed at helping readers to better understand the activity of the Bank. It illustrates the main risks to which the Bank is exposed and the available resources.

The items in the balance sheet highlight the numerous tasks carried out by the Bank of Italy. The implementation of the monetary policy decisions taken by the Governing Council of the European Central Bank (ECB) is reflected in the securities purchased for monetary policy purposes, in lending to euro-area credit institutions and, on the liability side, in the latter's deposits with the Bank of Italy.

Assets and liabilities denominated in foreign currency reflect the management of Italy's official reserves, which include gold. The item *Banknotes in circulation*, under liabilities, reflects the Bank of Italy's task of issuing currency, a role it shares with the other Eurosystem central banks. Liquidity is distributed across the euro area through the TARGET settlement platform developed and managed by the Bank of Italy together with other national central banks (NCBs). This generates intra-Eurosystem claims and liabilities in the Bank's balance sheet. The treasury services the Bank performs on behalf of the government are reflected in general government deposits recorded under liabilities.

The income arising from these activities, along with that generated by the investment portfolio, is entered in the profit and loss account together with the operating expenses connected to them and those incurred in relation to the other functions performed by the Bank, mainly in the domains of banking supervision and crisis resolution, economic research and statistical analysis, anti-money laundering, and financial education and customer protection in banking and finance. The utmost attention is paid to the efficient use of resources.

The primary goal of the Eurosystem is to maintain price stability, not to generate a profit. Monetary policy decisions are taken to fulfil this mandate, even though this could

temporarily lead to a reduction in the financial results reported by the individual central banks. A strong commitment to achieving price stability, as well as the effectiveness of monetary policy measures, are key to the Eurosystem's credibility.

From July 2022 to September 2023, the ECB Governing Council raised its key interest rates to ensure that inflation returns to its 2 per cent medium-term target in a timely manner. This resulted in a substantial increase in the interest paid by national central banks on credit institutions' deposits, which was not offset by an equivalent increase in the interest income earned on their financial assets, which are largely long-term assets with fixed-rate coupons (e.g. securities held for monetary policy purposes) acquired prior to the key interest rate hikes. As a result, central banks are managing a reduction in their net income and, in some cases, even face a net loss, before they can return to positive earnings.

The magnitude of losses depends on many factors linked to the size, composition and structure of each central bank's balance sheet, which vary even significantly across the Eurosystem.

In recent years, thanks to high profit levels, the Bank of Italy and the other Eurosystem central banks have been able to build up financial buffers to strengthen their capital positions, which together with risk management frameworks help them to preserve their financial independence. Therefore, financial losses incurred in implementing monetary policy operations will not impair in any way their ability to seek and maintain price stability.

\* \* \*

In 2023, the Bank of Italy's financial result was negative by €7.1 billion (positive by €5.9 billion in 2022). Since risks decreased as a result of the balance sheet shrinking and will further diminish in the coming years, and considering that the return to positive gross profitability is expected as early as 2025, the general risk provision was released for €5.6 billion. Considering also the positive contribution from the recognition of deferred tax assets (€2.3 billion) mainly related to tax losses that can be recovered in the future, the Bank of Italy closed its 2023 accounts with a net profit of €0.8 billion (€2.1 billion in 2022).

Even after the above-mentioned release, the general risk provision and other financial buffers built up so far<sup>1</sup> are more than sufficient to cover future losses, which – based on current market expectations for interest rates – are limited to the next financial year.

Further non-financial information can be found in the *Report on Operations and Activities of the Bank of Italy* and on the Bank's website ([www.bancaditalia.it](http://www.bancaditalia.it)).

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<sup>1</sup> Since the start of the Asset purchase programme (APP) in 2015, the Bank has allocated over €19 billion to the general risk provision and other capital reserves.

## Highlights of the Bank of Italy's annual accounts

Figure 1





## *Governance*

The Bank's governing bodies are, in accordance with its Statute, the Governing Board, the Board of Directors, the Board of Auditors and the Meeting of Shareholders.

The Governing Board is a collegial body that 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 ECB. The Governing Board is made up of the Governor, the Senior Deputy Governor, and three Deputy Governors.

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 Board of Directors nor the shareholders may interfere in any matters relating to the exercise of the public functions assigned to the Bank of Italy or its Governor by law and by the Bank's Statute for the pursuit of its institutional aims.

The Board of Auditors oversees the administration of the Bank to ensure compliance with the law, the Statute, and the General Regulations. It examines the annual accounts, and expresses an opinion on the distribution of the net profit.<sup>2</sup>

The Meeting of Shareholders appoints the members of the Board of Directors, the Board of Auditors and the audit firm and approves the annual accounts and the distribution of the net profit.

### *The approval process for the annual accounts*

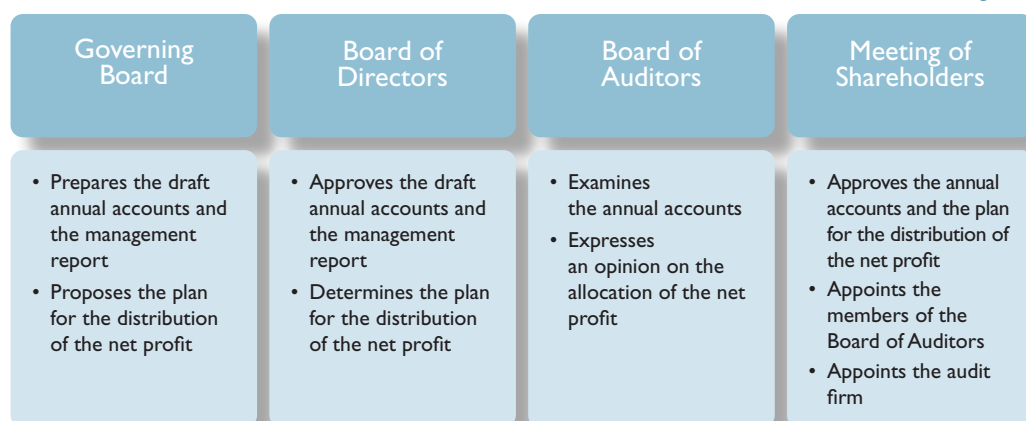
The draft annual accounts and the management report are approved by the Board of Directors, on a proposal from the Governing Board and after consulting the Board of Auditors. The Board of Directors then submits them to the Ordinary Meeting of Shareholders for approval, together with the Report of the Board of Auditors and that of the audit firm. Figure 2 shows the tasks of the Bank's governing bodies relating to the annual accounts.

In accordance with Article 27 of the Statute of the European System of Central Banks (ESCB), the Bank's accounts are audited by an external auditor or by an audit firm, which expresses an opinion on the annual accounts for the year in a dedicated report (Article 42 of the Bank's Statute). The audit firm appointed for the financial years 2023-27 is Deloitte & Touche SpA.

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<sup>2</sup> In accordance with Articles 42 and 43 of the Statute, the audit firm has taken over from the Board of Auditors responsibility for checking the proper keeping of the accounts as of 27 July 2023, the effective date of the contract for the auditing of the accounts for the financial years 2023-27.

Figure 2



### *Internal control system and risk management*

The Bank has an internal control system designed to ensure the pursuit of its objectives, the quality of its services, the efficient use of resources, as well as to oversee risk management and compliance with internal and external regulations. The internal control system is based on the internationally recognized Three Lines model. This model provides a global approach to the control system, defines roles and responsibilities, and encourages ongoing interaction between the control and risk management functions within the limits of their independence.

The first line consists of the units responsible for operational processes and for the identification, measurement and management of the related risks.

The second line consists of organizational functions that are separate from process management units. These functions monitor specific types of risk (financial, operational, accounting, tax, IT, cyber, legal, workplace health and safety, crime prevention, corruption and privacy) for the entire Bank, with a cross-cutting approach to its operations, and report directly to the governing bodies. The activities carried out by these functions provide advice and support to the first line to manage risks and to calibrate the control measures in line with the proportionality criteria. The Bank is working to develop a risk management approach to regulatory compliance and to foster the integration of its existing risk management approaches.

The third line is the internal audit function, which works independently of the first two lines and is subject to external periodic review, in compliance with international standards. It also conducts audits at the ESCB level. An advisory Committee on Internal Auditing (composed of three members of the Board of Directors and a member of the Board of Auditors as an observer) has been set up to strengthen the control system. It provides advice and support to the Board of Directors and to the Governor on matters concerning the oversight of the internal control system. In carrying out its oversight of the internal audit function, the Committee assesses the adequacy of its performance and its compliance with the audit policy and international standards.

## Financial risk

The Bank of Italy manages its financial risks on an integrated basis, taking into account the interactions between the various risk profiles. These risks stem chiefly from monetary policy operations and from the management of gold and foreign currency reserves and of the investment portfolio. In accordance with the Statute of the ESCB, the risks associated with monetary policy operations are generally shared with the other euro-area NCBs in proportion to their shares in the ECB's capital (see the box 'Rules on risk sharing in monetary policy operations').

### RULES ON RISK SHARING IN MONETARY POLICY OPERATIONS

As a rule, the risks associated with refinancing operations are shared. Under Article 32.4 of the ESCB Statute any losses associated with these operations can, by decision of the Governing Council of the ECB, be shared among the Eurosystem NCBs in proportion to their shares in the ECB's capital (capital key).

The ESCB Statute states that all Eurosystem refinancing operations must be based on adequate collateral, in the form of the transfer of ownership or pledging of eligible financial assets. According to the rules established by the ECB Governing Council, NCBs may accept specific financial assets as collateral in addition to those considered eligible under the general framework, bearing the resulting financial risks at individual level.

For securities held under the various monetary policy purchase programmes, the following risk-sharing rules apply, as decided by the Governing Council on a case-by-case basis:

	Programme	Risk sharing
<b>SMP</b>	Securities Market Programme	YES
	Asset-Backed Securities Purchase Programme (ABSPP) (1)	YES
	Covered Bond Purchase Programme (CBPP3)	YES
	Corporate Sector Purchase Programme (CSPP) (2)	YES
<b>APP</b>	Public Sector Purchase Programme (PSPP) supranational bonds	YES
	Public Sector Purchase Programme (PSPP) government bonds	NO
<b>PEPP</b>	Pandemic Emergency Purchase Programme covered bonds	YES
	Pandemic Emergency Purchase Programme corporate bonds (2)	YES
	Pandemic Emergency Purchase Programme asset-backed securities (1)	YES
	Pandemic Emergency Purchase Programme supranational bonds	YES
	Pandemic Emergency Purchase Programme government bonds	NO

(1) These securities are reported solely in the ECB's accounts. – (2) Includes commercial paper issued by non-financial corporations.

The risk sharing system includes indirectly all the securities purchased by the ECB, given that the NCBs hold its capital.

The Bank of Italy measures financial risk using a methodology very similar to the one developed by the Eurosystem, with some adjustments to ensure it conforms more closely with the specific features of the Bank. The methodology makes it possible to take account of the distinction between credit and market risks and is based on two different analytical perspectives: financial and accounting. The first approach estimates risk exposure without considering the accounting rules applied to the balance sheet items and evaluates its impact on the net equity of the Bank at current market values. The second approach, which is applied in the preparation of the annual accounts in order to define capital strengthening policies (reserves and provisions), estimates the impact of risk exposure on the profit and loss account and on the net equity, taking into consideration Eurosystem accounting rules. In both cases, it is a very conservative metric since it provides an estimate of potential losses characterized by low probability and high impact on the profit and loss account and the balance sheet (expected shortfalls).<sup>3</sup> Table 1 sets out the risk control and impact mitigation measures taken for each type of risk.

At the end of 2023, the Bank's overall financial risk, measured according to an accounting perspective, were down from the previous year, though they remained high. All other things being equal, the reduction – which reflects the downsizing of the balance sheet – is set to continue in future years as the principal payments from maturing monetary policy securities are no longer reinvested (see 'Decisions of the Eurosystem').

## Operational risk

The goal of the operational risk management (ORM) system is to prevent and contain the effects of adverse events that could negatively impact the Bank's ability to perform its tasks, its reputation or its capital. The ORM system operates closely with the business continuity management system, under the umbrella of the Bank's internal control system, to ensure that the work processes continue without interruption and at the designated levels of quality and security.

The Operational Risk Committee assists the Governing Board in promoting and coordinating ORM and business continuity measures and in monitoring their implementation and inclusion in the Bank's strategic planning process. Operational risks are assessed on an ongoing basis, upon the occurrence of significant changes in internal and external threats, in work processes and in the existing rules and controls. The Committee is also responsible for cyber resilience within the Bank, with the main goal of ensuring that the relevant policies and guidelines are actually implemented, reviewed and monitored.

In 2023, risk management and business continuity measures focused on strengthening the Bank's operational resilience; the reporting of information to the Operational Risk Committee was made more consistent and structured by: (a) updating risk analysis reports and preparing the corresponding response plans; (b) updating

<sup>3</sup> For example, an expected shortfall at a 99 per cent confidence level is applied, which represents the average expected loss in the worst 1 per cent of cases.

business continuity plans for critical processes; (c) systematically using information from the monitoring of operational incidents. Recovery workstations were relocated at various Bank sites, with the aim of increasing flexibility, scalability and energy resilience.

In line with the methodology used within the ESCB and the Single Supervisory Mechanism (SSM), the scope of the processes to which the business continuity framework applies was significantly extended. For new processes, the related risks were identified and appropriate mitigation measures were taken.

In line with best international practices and with the general principles laid down by national law and by the Eurosystem, an ethical compliance and anti-corruption division is operational within the Bank. The Bank's *Three-year corruption prevention plan 2024-2026* is available on its website.

### ***Background to Eurosystem monetary policy***

The changes in the Bank's balance sheet figures, risks and financial results can only be analysed and assessed in relation to its institutional functions and, especially, to the decisions taken within the context of Eurosystem monetary policy.

### **Decisions of the Eurosystem**

In the first nine months of 2023 – in order to ensure that inflation would return to 2 per cent over the medium term and as consumer price inflation, including core inflation, remained high – the ECB Governing Council raised the key interest rates by a total of 200 basis points, bringing them to 4.5 per cent on the main refinancing operations, 4.75 per cent on the marginal lending facility, and 4 per cent on the deposit facility.

In October, the Governing Council decided to keep the key interest rates unchanged, based on the assessment that their current levels, if maintained for a sufficiently long duration, can make a substantial contribution to the return of inflation to its target. At the same time, it announced that its future decisions would ensure that the key interest rates would be set at sufficiently restrictive levels for as long as necessary.

With regard to securities portfolios held for monetary policy purposes:

- at its meeting on 4 May 2023, the Governing Council announced that it would discontinue reinvesting the principal payments from maturing securities held under the asset purchase programme (APP) as of July. This date was confirmed at the 15 June meeting;<sup>4</sup>

<sup>4</sup> As announced by the Governing Council in December 2022, from 1 March to the end of the second quarter of 2023, the portfolio of securities purchased under the APP was downsized at a measured and predictable pace of €15 billion per month on average, with only a partial reinvestment of principal payments.

Table 1

Financial risk map			
Component	Type	Risk source	Measures for risk control and impact mitigation
Credit risk	<ul style="list-style-type: none"> <li>• Insolvency risk</li> <li>• Downgrade risk</li> <li>• Counterparty risk</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign currency assets</li> <li>• Investment portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Rigorous selection of investment instruments and counterparties</li> <li>• Individual and segment exposure limits monitored daily</li> </ul>
		<ul style="list-style-type: none"> <li>• Monetary policy assets</li> <li>• Refinancing operations (1)</li> </ul>	<ul style="list-style-type: none"> <li>• Collateralization of refinancing operations and stringent credit quality criteria for assets pledged as collateral and for issuers of monetary policy securities (2)</li> <li>• Daily monitoring of collateral and use of control measures, such as haircuts, margin calls, and concentration limits</li> <li>• For securities purchase programmes, eligibility criteria and specific limits applying to issues and issuers</li> <li>• Similar to monetary policy refinancing operations, for emergency liquidity assistance the Bank defines adequate credit quality criteria for assets pledged as collateral, their daily monitoring and the use of haircuts, margin calls and concentration limits</li> </ul>
Market risk	<ul style="list-style-type: none"> <li>• Risk of incurring losses owing to unfavourable changes in exchange rates and in the prices of gold and securities</li> </ul>	<ul style="list-style-type: none"> <li>• Gold, assets and liabilities denominated in foreign currency</li> <li>• Investment portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Risk measurement and monitoring (3)</li> <li>• Revaluation accounts (4)</li> <li>• Foreign exchange forward sales</li> </ul>
	<ul style="list-style-type: none"> <li>• Risk of incurring losses owing to the different sensitivity of the remuneration of assets and liabilities to changes in interest rates</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet assets and liabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Risk measurement and monitoring (5)</li> <li>• Profitability projections for monitoring the impact on net interest income</li> </ul>
Liquidity risk	<ul style="list-style-type: none"> <li>• Risk of incurring losses owing to the need to sell financial assets in a rapid time frame</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign currency assets (6)</li> </ul>	<ul style="list-style-type: none"> <li>• Highly liquid financial instruments</li> <li>• Very prudent criteria for selecting instruments and counterparties</li> <li>• Tight restrictions on maturity</li> <li>• Restrictions on purchases of individual issues</li> </ul>

(1) They can take the form of emergency liquidity assistance (ELA) or collateralized securities lending. – (2) Credit risk control and management measures for monetary policy assets (securities and refinancing operations) are defined at Eurosystem level, while those for ELA operations are set by the Bank of Italy. – (3) Among the indicators used for this are: the elasticity of the bond portfolio to interest rate fluctuations (duration); the maximum potential loss estimated over a one-year horizon for the short-term and long-term components (cyclical VaR and structural VaR) and separately for the various classes of financial assets and portfolios; the average loss in the case of extreme events, i.e. particularly adverse market conditions with a low probability of occurring (expected shortfall). – (4) The revaluation accounts, which record unrealized gains on assets, valued at current market exchange rates and prices, limit the impact on the financial results for the period of fluctuations in the prices and exchange rates of the assets to which they refer. Unrealized losses in excess of the corresponding revaluation accounts, instead, are recorded directly in the profit and loss account. – (5) Since 2023, this type of risk has been considered as part of the financial risk measurement methodology. – (6) Liquidity risk mainly affects foreign currency reserves, which, owing to their functions, might have to be liquidated promptly.



- in 2023, principal payments from maturing securities held under the pandemic emergency purchase programme (PEPP) continued to be fully reinvested.<sup>5</sup> Last December, the Governing Council announced that it would fully reinvest principal payments from maturing securities throughout the first half of 2024. Over the second half of the year, it intends to reduce the portfolio by €7.5 billion per month on average, discontinuing reinvestments at the end of 2024. The Governing Council will continue to take a flexible approach to reinvesting principal payments from maturing securities, in order to counter risks to the monetary policy transmission mechanism.

The transmission protection instrument (TPI) will remain available to the Governing Council for the same purpose.<sup>6</sup>

The ECB Governing Council continued to provide ample liquidity to credit institutions through refinancing operations with full allotment of the amounts requested.<sup>7</sup> As the third series of targeted longer-term refinancing operations (TLTRO III) are repaid,<sup>8</sup> the Governing Council regularly reassesses how targeted operations are contributing to the ECB monetary policy stance.

At its meeting on 27 July 2023, the Governing Council decided to set the remuneration of the minimum reserve requirements at zero per cent as of 20 September. The aim is to improve the efficiency of monetary policy by reducing the amount of interest to be paid on reserves.<sup>9</sup>

## Overview of Eurosystem monetary policy

Monetary policy tightening continued in 2023 and led to a reduction in the Eurosystem's balance sheet for the second year in a row, mainly due to repayments of TLTRO III operations and, to a lesser extent, to the tapering of reinvestments of maturing securities under the APP.

The amount of financing granted to credit institutions through Eurosystem refinancing operations continued to decline significantly (Figure 3), from €1,324 billion

<sup>5</sup> The same types of securities that are eligible for the APP are also eligible under the PEPP, namely: covered bonds, corporate bonds, government bonds, supranational bonds and asset-backed securities.

<sup>6</sup> The TPI was approved in July 2022 to counter unwarranted fragmentation of capital markets along national lines, which poses a serious threat to the uniform transmission of monetary policy across all euro-area countries. Purchases are not restricted ex ante and will be concentrated in secondary markets for public securities with a remaining maturity of between one and ten years.

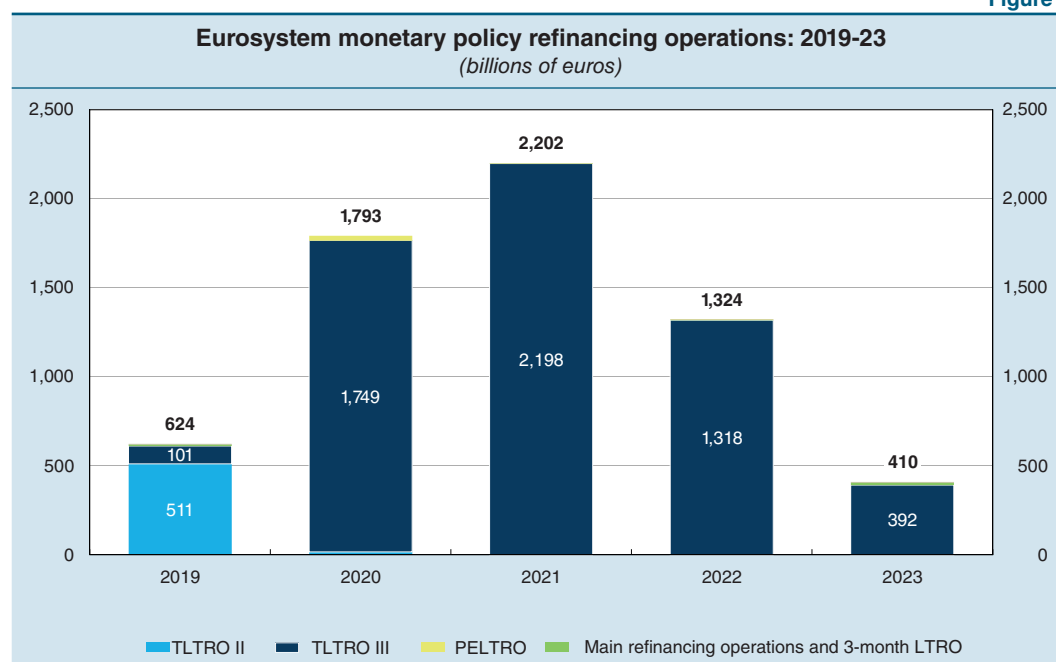
<sup>7</sup> On 29 June 2023, a number of new risk mitigation measures came into effect on assets pledged as collateral and the reduction of haircuts that had been temporarily introduced in the spring of 2020 in response to the pandemic was lifted.

<sup>8</sup> Starting from September 2019, a total of ten TLTRO III operations have been carried out on a quarterly basis, each with a maturity of three years.

<sup>9</sup> In October 2022, the ECB Governing Council had decided to reduce the remuneration of the minimum reserve requirement from the MRO rate to the deposit facility rate, in order to better align it with money market conditions.

at the end of 2022 to €410 billion at 31 December 2023 (-69 per cent). The reduction was mainly due to the repayment of maturing TLTRO III operations, which amounted to €613 billion.<sup>10</sup> Voluntary early repayments, driven by interest rate changes,<sup>11</sup> totalled €313 billion. The percentage share attributable to TLTRO III nonetheless continued to represent almost the entirety of the overall exposure to monetary policy counterparties (95.6 per cent at the end of 2023). Participation in main refinancing operations and longer-term refinancing operations with 3-month maturities instead rose to €18 billion at the end of 2023 (from €5 billion in 2022). The weighted average maturity of refinancing operations fell by almost half (from 319 to 155 days); there were no changes in how the allotments were made or in how counterparty eligibility was assessed.<sup>12</sup>

Figure 3



In 2023, the Eurosystem continued to provide US dollar funding.<sup>13</sup> A total of \$17.1 billion were granted through seven-day refinancing operations, equal to about €15.8 billion, up from the previous year (\$11.4 billion in 2022).<sup>14</sup>

The amount of securities held for monetary policy purposes decreased by 4.9 per cent over the year, from €4,937 billion to €4,694 billion, mainly as a result of the gradual

<sup>10</sup> The repayments of pandemic emergency longer-term refinancing operations (PELTRO) amounted to around €1 billion.

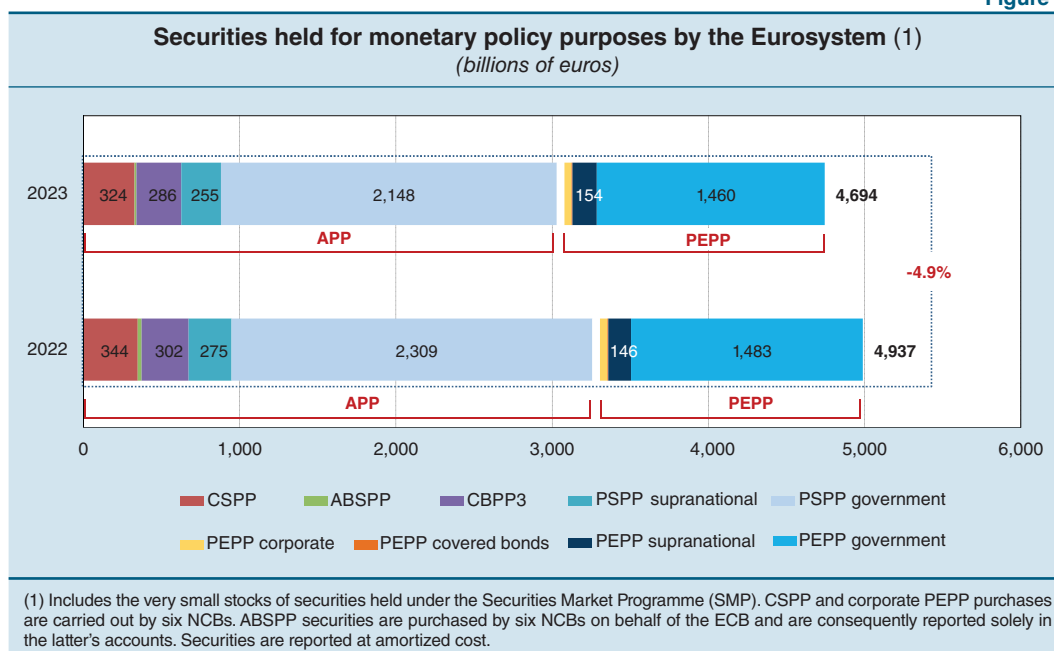
<sup>11</sup> As of 23 November 2022, the interest rates on all remaining TLTRO III operations are the average indexed ECB key interest rates calculated as of that date and no longer the date of the initial settlement of such operations.

<sup>12</sup> In order to facilitate the rollover of operations, the ECB announced the alignment of the allotment and settlement dates of main refinancing operations and longer-term refinancing operations with 3-month maturities as of 2024.

<sup>13</sup> In order to cope with the financial instability resulting from the global banking crises that occurred in the spring, the ECB conducted the seven-day US dollar refinancing operations from 20 March to 30 April 2023, on a daily basis rather than weekly.

<sup>14</sup> Italian counterparties applied for a total of \$5.6 billion, worth €5.2 billion, up from 2022 (\$0.7 billion).

Figure 4



reduction in reinvestments of maturing securities under the APP (Figure 4). By contrast, principal payments under the PEPP were fully reinvested throughout the year. At 31 December 2023, the securities held by the NCBs through the programmes subject to risk sharing amounted to €1,049 billion (€1,095 billion at the end of 2022), while those for which the risk is borne by the individual NCBs totalled €3,220 billion (€3,385 billion in 2022). The securities held by the ECB amounted to €425 billion (€457 billion in 2022).

In 2023, the euro area's daily excess liquidity – calculated as the sum of banks' reserves above the reserve requirements and the funds held in the deposit facility – averaged €3,841 billion (€4,508 billion in 2022). Excess liquidity declined mainly as a result of voluntary and maturing TLTRO III repayments and, in the second half of the year, partly as a result of the downsizing of the monetary policy securities portfolio, to €3,346 billion at the end of 2023 (€3,830 billion at the end of 2022). In 2023, almost all of the liquidity surplus was deposited overnight with the Eurosystem.<sup>15</sup>

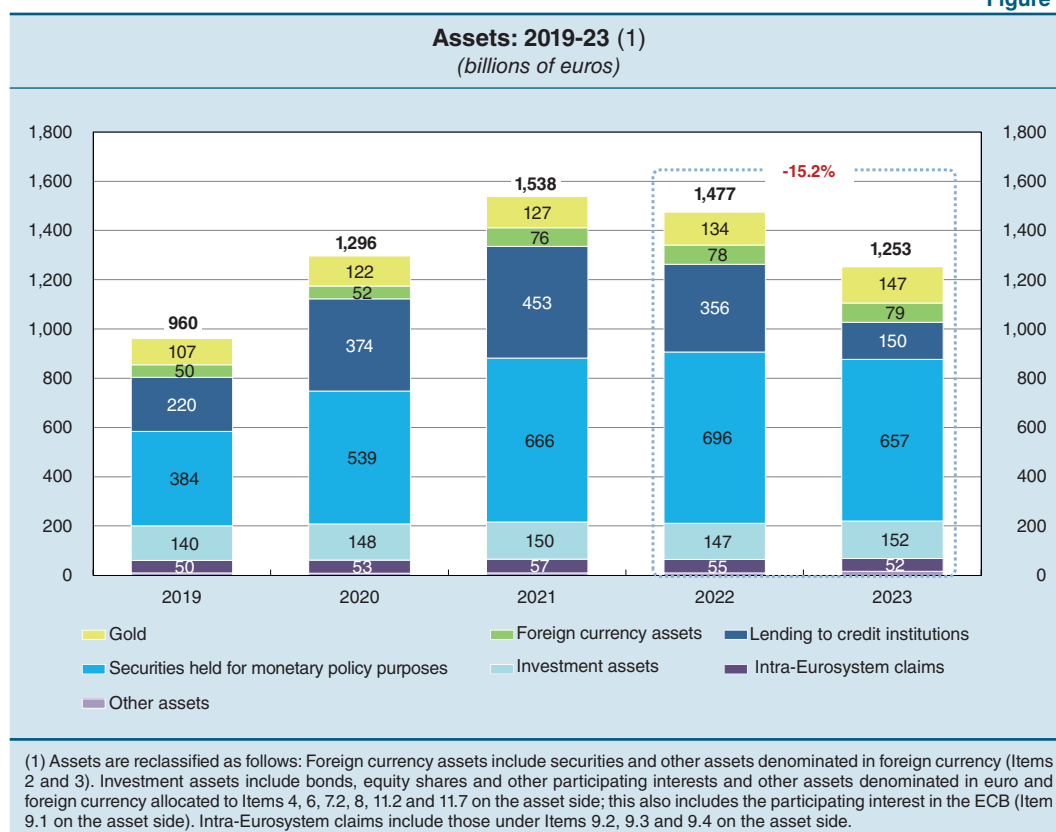
### *Key developments in the Bank's annual accounts*

#### **Assets**

In 2023, the tightening of monetary policy led to a significant reduction in the size of the Bank of Italy's balance sheet (-15 per cent), in line with what was observed at Eurosystem level. Total assets fell at a faster pace than in the previous year (Figure 5).

<sup>15</sup> In 2023, the excess liquidity on current account deposits was not remunerated. Since 20 September 2023, the reserve requirements have also not been remunerated.

Figure 5



Assets held for monetary policy purposes declined in both the refinancing operations for credit institutions component and, to a lesser extent, the securities component, for a total decrease of 23 per cent (from €1,053 billion to €807 billion, equal to 64 per cent of balance-sheet assets at the end of the financial year). The contraction in refinancing operations<sup>16</sup> was smaller than the average of the Eurosystem (-58 per cent versus -69 per cent). Consequently, the Bank's share of the euro-area total refinancing operations rose from 27 per cent to 37 per cent (Figure 6).

The amount of securities held for monetary policy purposes decreased by 5.6 per cent, broadly in line with the Eurosystem. This trend mainly reflects the reduction in reinvestments of maturing securities under the APP, starting from March 2023, and its discontinuation in the second half of the year (Figure 7).

The higher value of gold reserves and foreign currency assets (Figure 5) helped to limit the overall reduction in the balance sheet. At 31 December 2023, gold reserves were worth €147.2 billion (€134.5 billion at the end of 2022). This increase was entirely due to the appreciation of gold by 9.5 per cent for the year. In terms of geographical distribution, 44.9 per cent of the Bank's gold reserves are held in Italy, 43.3 per cent in the United States, 6.1 per cent in Switzerland and 5.7 per cent in the United Kingdom.

<sup>16</sup> The weighted average maturity of the refinancing operations conducted by the Bank of Italy fell from 341 to 168 days, in line with the Eurosystem.

Figure 6

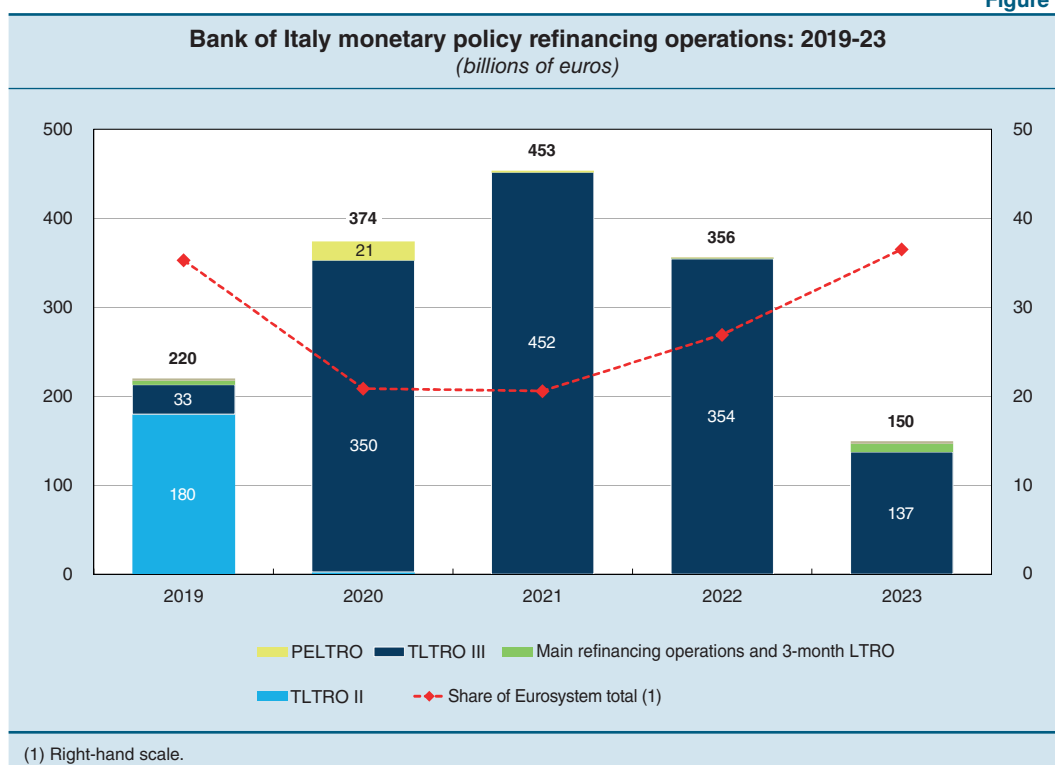
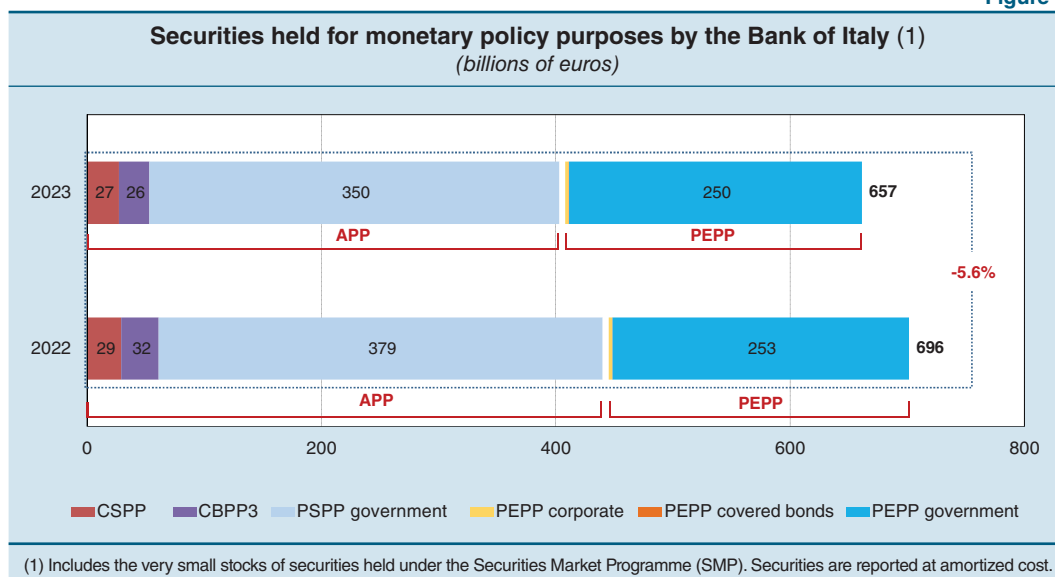


Figure 7

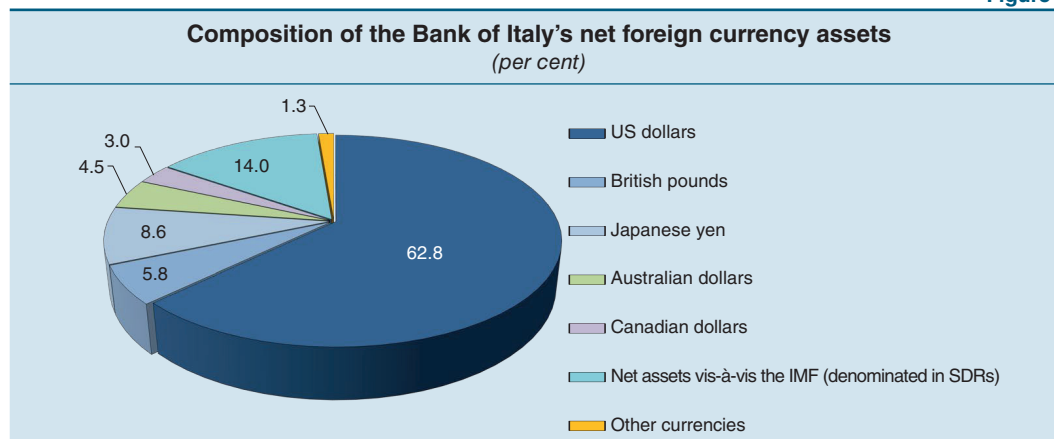


Net assets denominated in foreign currency<sup>17</sup> – for which the percentage composition is shown in Figure 8 – totalled €52.5 billion (€51.1 billion at the end of 2022). The increase reflects higher overall holdings, namely in US dollars and special

<sup>17</sup> Net assets denominated in foreign currency include aggregates for Asset Items 2 and 3 (foreign currency assets) and Liability Items 6, 7 and 8 (foreign currency liabilities).

drawing rights (SDRs), only partly offset by the depreciation of major currencies against the euro (especially the US dollar and the Japanese yen).

Figure 8



Italy's official reserves consist of gold and claims on non-euro-area residents denominated in foreign currency; they are held by the Bank of Italy under the Treaty on the Functioning of the European Union and the Statute of the ESCB. By managing the official reserves, the Bank can service the Italian Republic's foreign currency debt and meet its commitments to international organizations such as the International Monetary Fund (IMF). The official reserves are an integral part of the Eurosystem's reserves: their overall level and proper management help to safeguard the credibility of the Eurosystem itself. The foreign currency reserves are managed primarily with the aim of guaranteeing high levels of liquidity and security while also taking account of long-term expected yields. The Bank also manages a part of the ECB's foreign currency reserves in accordance with the guidelines laid down by the Governing Council.

At the end of 2023, the assets held for investment purposes amounted to €152.4 billion (€147.4 billion at the end of 2022). These assets consist mainly of securities (€146.8 billion, compared with €143.4 billion in 2022; Table 2), as well as reverse

Table 2

<b>Composition of the financial portfolio (1)</b> (millions of euros)			
	31.12.2023	31.12.2022	Change
Government bonds and other public sector securities	122,943	123,524	-581
Other bonds	2,716	2,644	72
Equity shares and other participating interests	17,910	14,853	3,057
ETFs and shares/units of UCIs	3,277	2,391	886
<b>Total</b>	<b>146,846</b>	<b>143,412</b>	<b>3,434</b>

(1) In compliance with the prohibition on the monetary financing of Member States and euro-area public institutions, the securities of public-sector issuers are not acquired at issue. No investments are made in shares of banks and insurance companies.



repos and margins paid to guarantee repos connected with direct securities lending (€3.9 billion, compared with €2.3 billion in 2022).

The portfolio is mainly composed of Italian and other euro-area government bonds; the other bonds are those issued by international organizations and by private corporations. The part invested in equities consists primarily of listed instruments (equity shares and, to a lesser extent, investment fund units). Compared with the previous financial year, the value of the portfolio increased, mainly owing to the appreciation of equity shares and, to a lesser extent, to new investments in equity shares, exchange-traded funds (ETFs) and units of undertakings for collective investment (UCIs).

Since 2019, the Bank has been incorporating environmental, social and governance (ESG) criteria into its investment decisions. In its *Strategic Plan for 2023-2025* (see ‘Strategic Planning’), the Bank has stepped up its efforts to integrate ESG profiles into its investment strategies, helping to improve risk management and to tackle climate change.

In addition to portfolios managed against a benchmark, the Bank holds a thematic portfolio, which focuses on euro-area companies that can make a greater contribution to the transition to a low-emission economy through their operations. This portfolio is invested in companies operating in the areas of renewables, energy efficiency systems, electric mobility and green construction.

With regard to government, supranational and government-agency bonds, the sustainability strategy deemed most appropriate is thematic investing through a gradual expansion of public-sector green bond portfolios within the financial portfolio and foreign exchange reserves.

In 2023, the Bank continued to invest in funds specializing in Italian small and medium-sized enterprises offered by leading asset management companies. During the year, the Bank also started to subscribe infrastructure funds.

## NET FINANCIAL ASSETS

At the end of 2023, the Bank’s net financial assets (NFAs), which are governed by a Eurosystem specific agreement (Agreement on Net Financial Assets – ANFA), totalled €101.8 billion, up on the €72.1 billion at the end of 2022. NFAs are calculated as the algebraic sum of the balance sheet financial assets that are not directly related to monetary policy – including gold, net foreign currency assets and securities denominated in euro – and non-monetary-policy liabilities. ANFA is an agreement between the NCBs of the euro-area countries and the ECB. The agreement sets rules and limits that NCBs must follow to ensure that purchases of financial assets connected with their functions under national law do not interfere with the conduct of the single monetary policy.

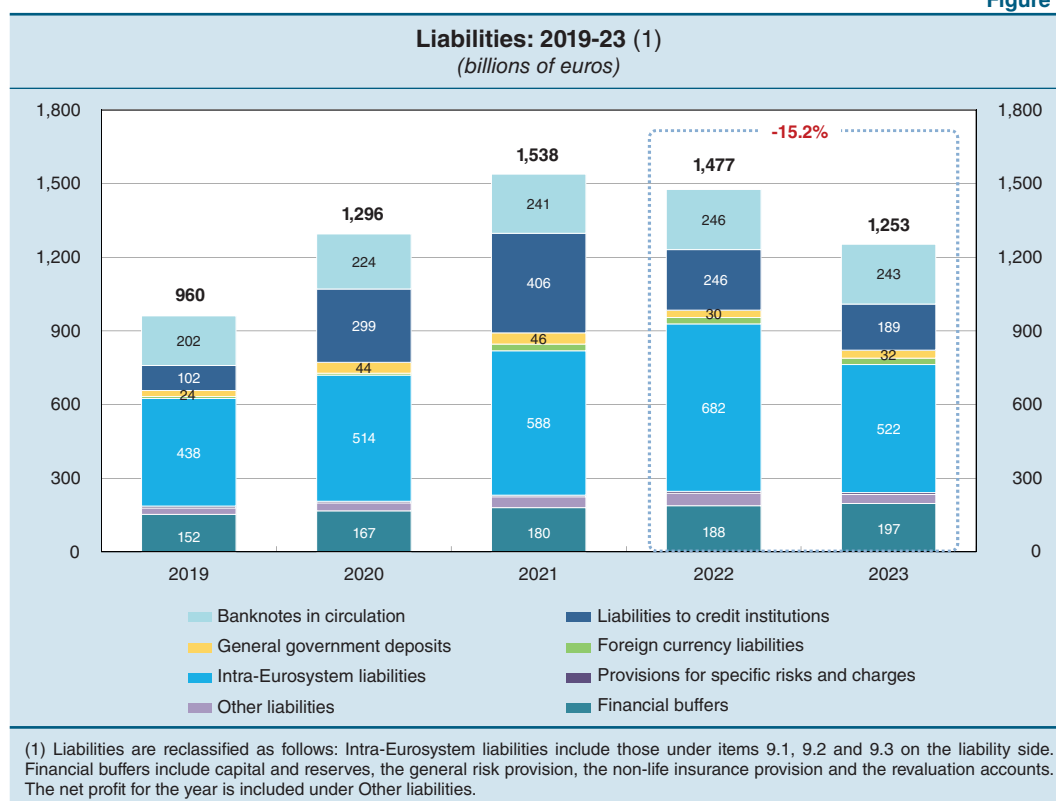
Further information on NFAs can be found on the website of the ECB, which publishes for each NCB and for the ECB: (a) the monthly financial statement; and (b) the annual average amount of NFAs.

The Bank also manages the defined-contribution pension fund for staff hired starting on or after 28 April 1993. The fund constitutes a separate asset for administrative and accounting purposes pursuant to Article 2117 of the Civil Code. Its investments and earmarked funding contributions are included in the Bank's balance sheet, under *Other assets* and *Other liabilities* respectively. Investments are made observing benchmarks. At the end of 2023, the fund's total assets and corresponding liabilities in the Bank's balance sheet amounted to €999 million (€835 million in 2022).

## Liabilities

In 2023, liabilities fell (Figure 9) mainly due to the decline both in the negative balance associated with TARGET operations and in the deposits of credit institutions, mostly as a result of TLTRO III repayments. The amount of banknotes in circulation decreased to a lesser extent, while general government deposits and financial buffers increased. The latter rose due to unrealized gains on gold and equity shares, recognized in their respective revaluation accounts. By contrast, the general risk provision decreased.

Figure 9

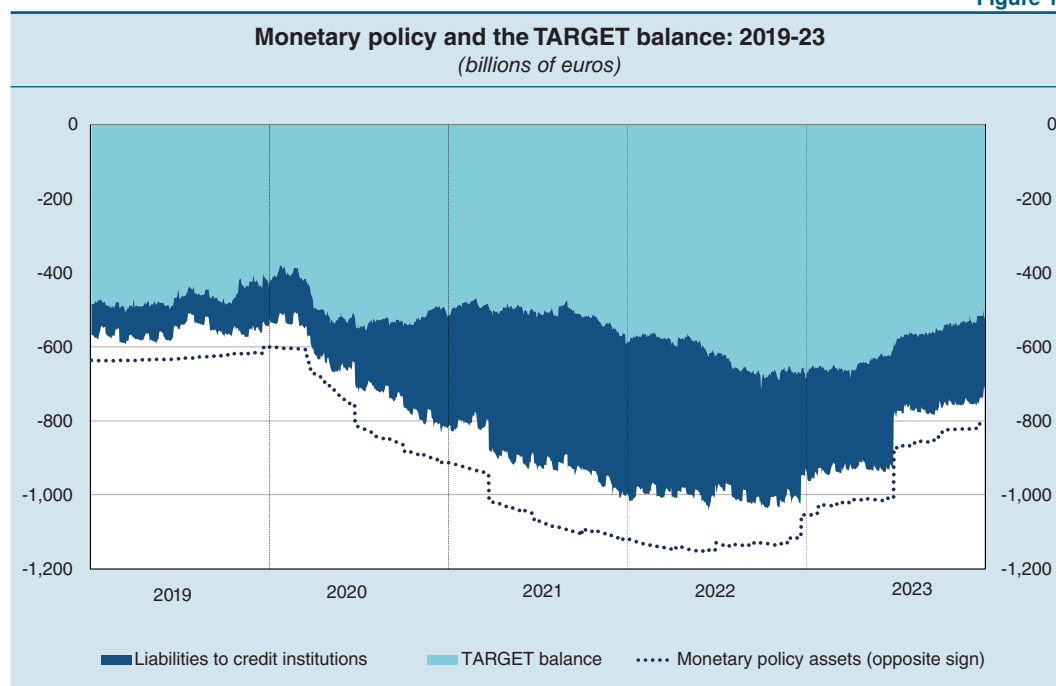


The Bank of Italy's negative balance associated with TARGET operations<sup>18</sup> fell by 24 per cent (from €684 billion to €521 billion at the end of 2023; Figure 10). This

<sup>18</sup> The TARGET balance can be considered as the accounting counterbalance of all the transactions carried out between residents and non-residents in Italy.

sizeable reduction was due to net purchases of Italian securities (mostly public-sector securities) by foreign investors and to an expansion of Italian banks' net funding on international markets via loans and deposits. These liquidity inflows were only partially offset by Italian residents' investment in foreign securities. The disbursement of the third and fourth tranches of Recovery and Resilience Facility funds to the Italian State through the TARGET system also contributed to the decrease in the Bank's negative balance.

Figure 10

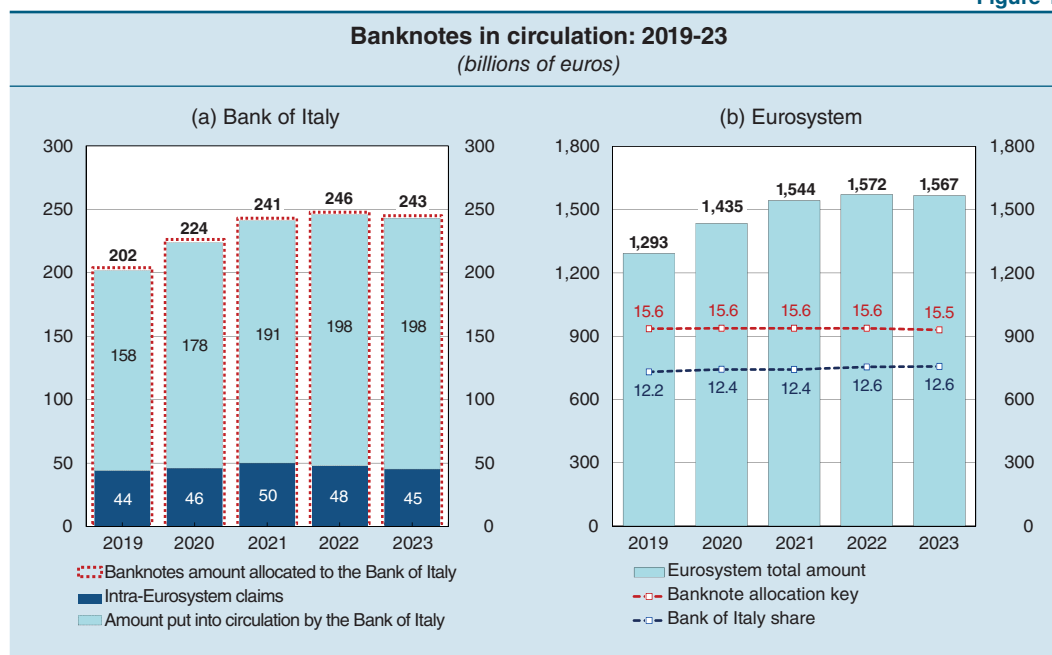


The total value of banknotes in circulation in the Eurosystem,<sup>19</sup> amounting to €1,567 billion, is allocated among the central banks as follows: the ECB is allocated 8 per cent by convention, while the remaining 92 per cent goes to the NCBs according to the banknote allocation key (see *Legal basis, method of preparation and layout of the annual accounts*). The total amount allocated to the Bank of Italy, €243 billion, is shown under the liability item *Banknotes in circulation*. The difference between the value of the banknotes allocated to the Bank of Italy and that of the banknotes the Bank actually puts into circulation gives rise to a remunerated intra-Eurosystem claim (liability) if positive (negative), which is recorded under *Net claims (liabilities) related to the allocation of euro banknotes within the Eurosystem*. The Bank's claim at the end of the year amounted to €45 billion (Figure 11).

After several years of growth, the amount of banknotes allocated to the Bank of Italy decreased in the last year, owing to the reduction in the Bank's allocation key as a result of the accession of Croatia to the euro area and to a slight decline

<sup>19</sup> Banknote circulation is the difference between banknotes issued and returned to central banks.

Figure 11



in overall circulation in the Eurosystem (Figure 11; see ‘Notes on the items of the balance sheet’ – *Banknotes in circulation*). As the amount of banknotes actually put into circulation by the Bank held broadly stable, the Bank’s intra-Eurosystem claim decreased by around €3 billion.

The average amount of banknotes put into circulation by the Bank of Italy in 2023 amounted to €194 billion (€192 billion in 2022), showing an increase of 1 per cent compared with an average decline of 0.9 per cent for the euro area.

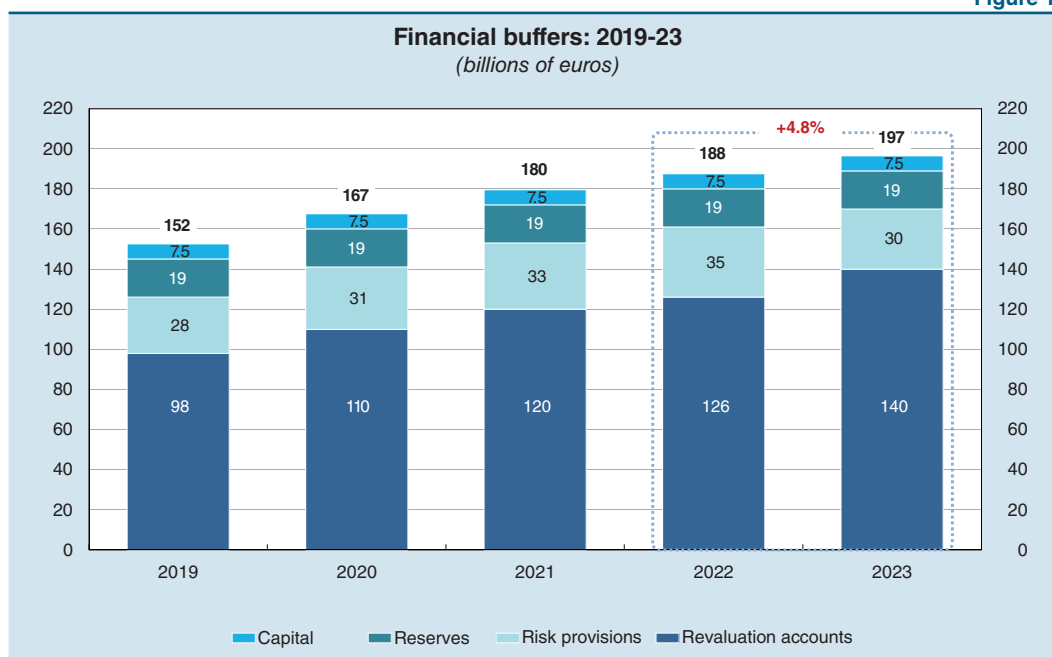
## Financial buffers

Financial buffers<sup>20</sup> rose by 4.8 per cent in 2023 (Figure 12).

Between 2019 and 2023, the increase was mainly due to the revaluation accounts, particularly for gold. During the same period, provisions also increased, despite the release of €5.6 billion of the general risk provision to cover the gross loss for the financial year 2023. The level of risk coverage remains adequate from a medium-term perspective, taking into account the expected reduction in the balance sheet size (see ‘Financial risk’).

<sup>20</sup> The Bank’s financial buffers consist of capital, reserves, provisions, especially the general risk provision, and the revaluation accounts. Allocations to reserves are made at the time of the distribution of the 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 potential unfavourable fluctuations in prices and/or exchange rates and therefore constitute a first financial buffer against the risks to which the Bank is exposed.

Figure 12



## The Bank's capital

The Bank of Italy's capital is equal to €7,500,000,000 and is divided into 300,000 registered shares that by law can be held solely by: (a) banks with registered offices and head offices in Italy; (b) insurance and re-insurance companies with registered offices and head offices in Italy; (c) foundations as per Article 27 of Legislative Decree 153/1999; (d) social security and insurance bodies with registered offices in Italy and pension funds established under Article 4.1 of Legislative Decree 252/2005.

Shareholders' ownership rights are limited to the value of the capital and to the dividends (Article 3 of the Statute). The law establishes the maximum share of the capital (i.e. 5 per cent) that can be held, directly or indirectly, by each shareholder. Shares held above this limit do not carry voting rights and the corresponding dividends are allocated by law to the Bank's statutory reserves. Currently, none of the shareholders hold shares exceeding the statutory threshold.

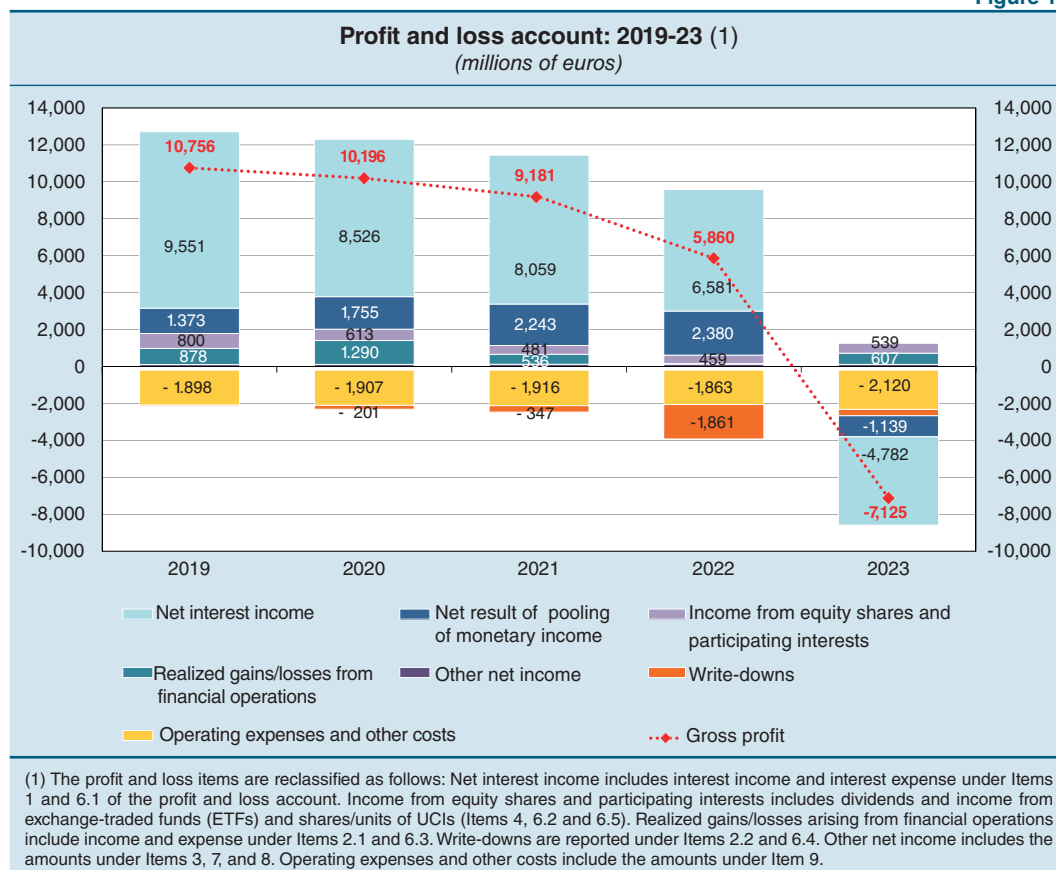
Dividends are due only to shareholders that owned shares at the end of the fortieth day before the date of the Meeting of Shareholders on first call (Article 38 of the Statute). They numbered 172 at 17 February 2024, the last date for acquiring shares with the right to dividends for 2023 (see 'Notes on the items of the balance sheet' – *Capital and reserves*).

## The profit and loss account

Over the last five years, the performance of the Bank's gross profit depended in large part on the progressive contraction in net interest income, due to the significant

changes in the amount and composition of the financial assets and liabilities and their respective interest rates (Figure 13).

Figure 13



In 2023, the financial result before the release of the general risk provision and before tax was negative by €7,125 million (positive by €5,860 million in 2022).

The marked reduction in net interest income, which in 2023 became negative by €4,782 million (-€11,363 million compared with 2022), was mainly due to the higher cost of financial liabilities in euro (e.g. bank deposits and the negative balance associated with TARGET operations). This cost burden, due to the higher average level of key interest rates, was not offset by corresponding higher yields on longer-term assets (particularly securities held for monetary policy purposes), which are less sensitive to changes in policy rates.

The net result of pooling of monetary income, which was negative by €1,130 million, also contributed to the gross loss<sup>21</sup> (see ‘Notes on the items of the profit and loss account’ – *Net result of pooling of monetary income*).

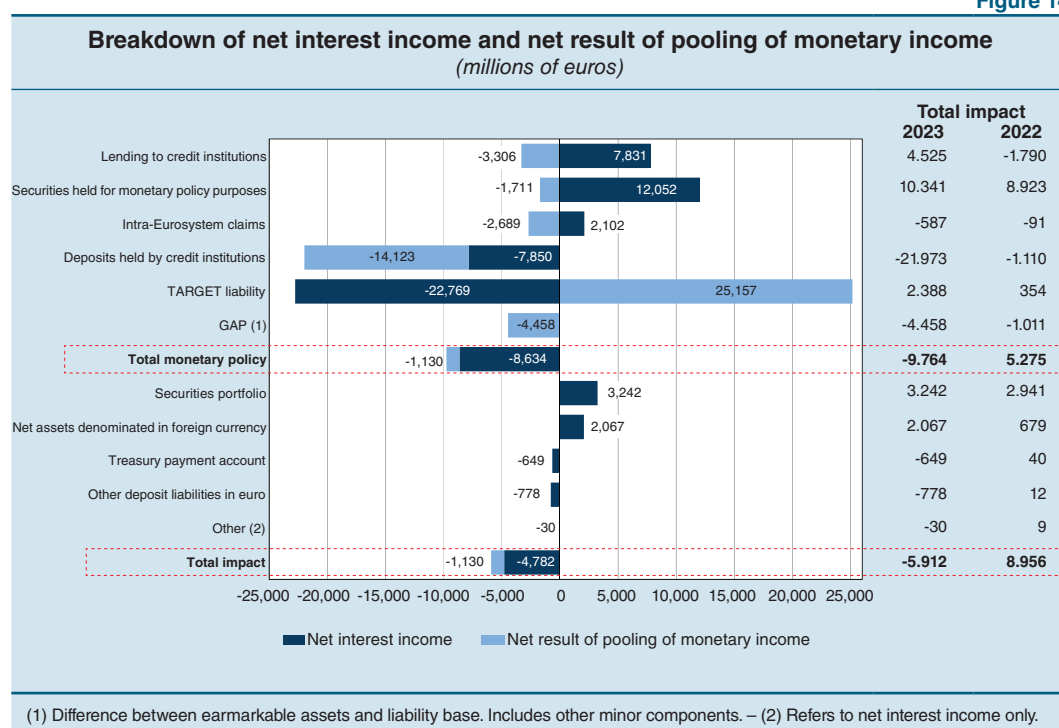
<sup>21</sup> This amount differs from the amount reported under Item 5 of the profit and loss account, which also includes adjustments from previous years and the Bank’s share of impairment loss provisioning on a corporate security held under the PEPP.



The overall impact of monetary policy on the Bank's profit and loss account arises from the combination of net interest income earned on interest-bearing assets and costly liabilities on the balance sheet and the net result of pooling of the Eurosystem's monetary income.<sup>22</sup>

In 2023, the negative contribution of monetary policy to the Bank's profitability was significant and only partly mitigated by net income earned on other assets and liabilities. The breakdown is shown in Figure 14.

Figure 14



On the other hand, the change in the financial result was positively affected by lower write-downs (€-1,519 million),<sup>23</sup> higher net realized gains from financial operations (€+581 million)<sup>24</sup> and increased income from equity shares and participating interests (€+80 million). The latter benefited from higher dividends received for the equity

<sup>22</sup> The net result is the difference between the share of total monetary income distributed to the NCBs in proportion to their respective shares in the subscribed capital of the ECB and the higher or lower amount determined by the individual NCBs. Monetary income is calculated in accordance with the rules established by the Governing Council: for example, interest income on monetary policy securities not subject to risk sharing is calculated at the marginal rate on main refinancing operations and may therefore differ significantly from the actual interest income, as reported in net interest income.

<sup>23</sup> The reduction is mainly due to price improvements for US-dollar and euro-denominated securities and, to a lesser extent, for the equity shares portfolio, which is marked to market.

<sup>24</sup> This increase was mainly attributable to higher realized gains on foreign exchange ETFs and euro-denominated equities, as well as lower realized losses on US dollar-denominated government bonds. There was also a contribution from exchange rate gains, mainly on US dollars.

shares portfolio (€+87 million), which more than offset the fall in dividends from the ECB (€-7 million).<sup>25</sup>

Total operating expenses and other costs amounted to €2,120 million, up on 2022 (see 'Operating expenses and other costs').

Against the gross loss for the year, the general risk provision was used by €5,600 million.<sup>26</sup>

Accrued taxes show a positive contribution of €2,340 million (compared with a charge of €1,304 million in 2022), essentially due to deferred tax assets on the corporate income tax (IRES) resulting from the carryforward of the tax loss for the financial year.

The year 2023 closed with a net profit of €815 million, a decrease of €1,241 million compared with the previous year (€2,056 million in 2022).

The amount of net profit paid as a dividend to the shareholders is €200 million, while the remainder (€615 million) is allocated to the State.

To supplement the dividend, a further €140 million is paid to the shareholders out of the special item for stabilizing dividends created by resolution of the Ordinary Meeting of Shareholders of 31 March 2017, so as to pay a total amount of €340 million under the current dividend policy, which is equal to the amount paid last year (see 'Proposals of the Board of Directors'). The item for stabilizing dividends therefore drops from €280 million to €140 million.

Over the last five years, the dividend paid out of the net profit totalled €1,560 million, of which €1,404 million were actually distributed to the shareholders and €156 million, relating to shares exceeding the legal threshold, were allocated to the Bank's statutory reserves. An amount of €160 million was allocated to the special item for stabilizing dividends.

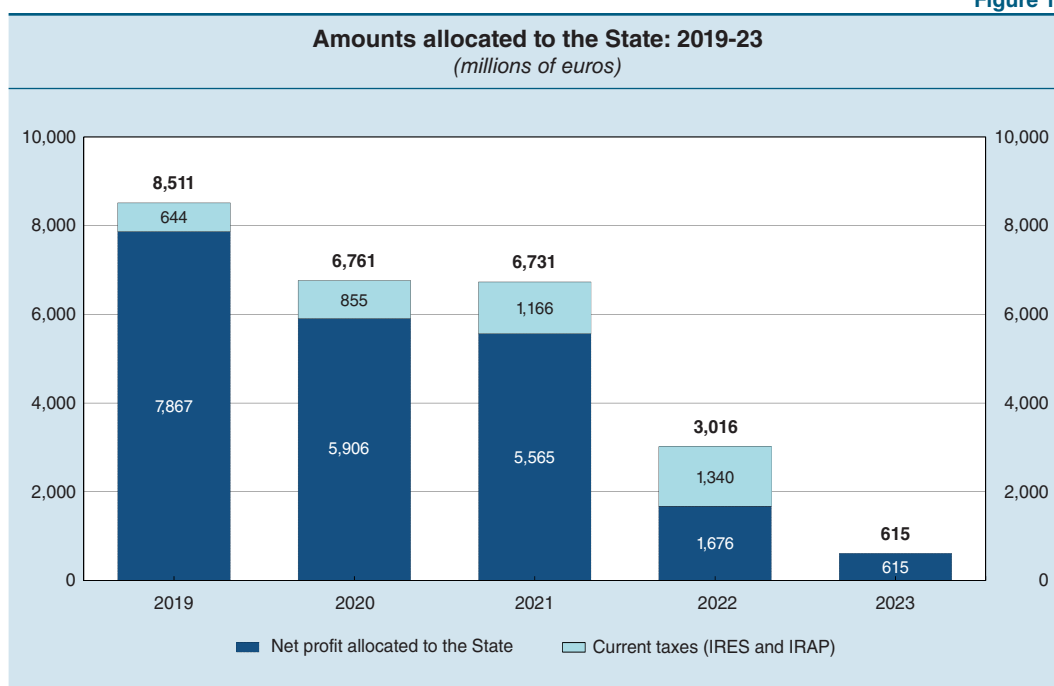
Over the same five-year period, the profits transferred to the State amounted to €21,629 million (Figure 15); including current taxes (€4,005 million),<sup>27</sup> the total amount transferred to the State was €25,634 million.

<sup>25</sup> As a result of the loss recorded in 2023, partly covered by the full release of the provision for financial risks and carried forward for the remaining part, the ECB did not recognize, as in 2022, the income arising from seigniorage and from securities held for monetary policy purposes as an interim profit distribution. Likewise, the balance for 2022 was nil (€7 million for the previous year).

<sup>26</sup> In 2022, by contrast, the provision had been increased with a transfer of €2,500 million, also in view of the negative earnings outlook arising from expected key interest rate hikes.

<sup>27</sup> Includes only current taxes for IRES and IRAP purposes recognized in each period under Item 11 of the profit and loss account (*Taxes on income for the year and on productive activities*).

Figure 15



### *Operating expenses and other costs*

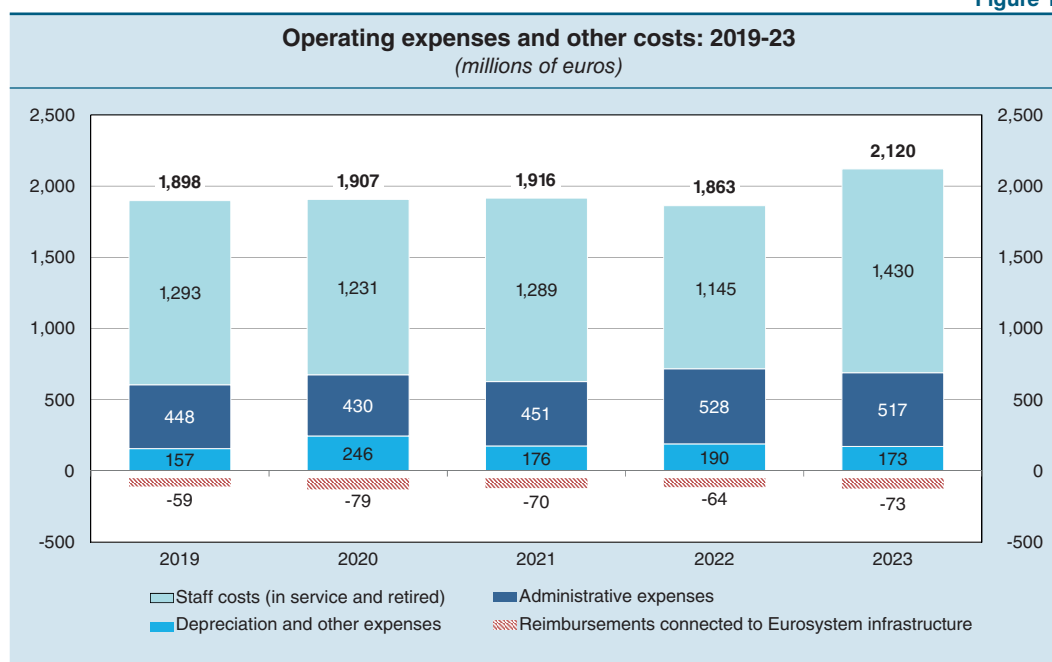
The trend and composition of total costs are detailed in Figure 16. In 2023, operating expenses rose by €257 million compared with the previous year, which however had benefited from €166 million of amounts allocated to provisions in excess of outstanding commitments being released to the profit and loss account.<sup>28</sup> Net of this release, the growth for the year (€91 million, i.e. +4.5 per cent) reflected the increase in staff costs, for both persons in service and retired.

More specifically, wage expenditure growth was mainly affected by salary adjustments for inflation (measured using the HICP net of imported energy), the qualitative and quantitative change in the workforce and the payment during the year of certain bonuses pertaining to the entire two-year period 2022-23. By contrast, severance pay for the year declined owing to a lower number of employment terminations, while pension expenses rose slightly as a result of adjustments connected with equalization.

*Administrative expenses*, equal to 24.4 per cent of total operating expenses, fell from €528 million in 2022 to €517 million in 2023. The reduction is mainly due to the lower prices of energy and of raw materials purchased for banknote production,

<sup>28</sup> Following adjustments to reflect the current best estimate, in 2022 the provision for staff early retirement measures was reduced by €51 million and the allocation for staff severance pay and pensions was reduced by €115 million.

Figure 16



and is partly offset by higher property maintenance costs (see ‘Notes on the items of the profit and loss account’ – *Expenses and sundry charges*).

Hardware and software infrastructure development and management costs accounted for 29 per cent of total administrative expenses (in line with the previous year). In 2023, the Bank continued to be involved in a variety of IT initiatives.

As regards the systems for which the Bank acts as service provider at Eurosystem level (see the box ‘Costs and reimbursements for Eurosystem infrastructure’), new activities were carried out to modernize and upgrade TARGET2 (T2 as of March 2023), TARGET2-Securities (T2S) and TARGET Instant Payment Settlement (TIPS). More specifically, the project to consolidate the T2 and T2S platforms was completed by harmonizing the different components of TARGET services, also thanks to a single access channel. Work continued on rolling out the Eurosystem Collateral Management System (ECMS), with the aim of facilitating the efficient management of liquidity and collateral by providing a harmonized service to counterparties. The Bank continued to participate in the activities coordinated by the ECB for launching a digital euro, including with a view to its possible use in the settlement of large-value transactions using innovative technologies.

Among domestic initiatives, the Bank worked on re-engineering the IT solution supporting the Central Credit Register to meet the growing need for flexibility in the service, as well as some of the IT systems of the Institute for the Supervision of Insurance (*Istituto di vigilanza sulle assicurazioni*, IVASS). Work is under way to improve the usability of the financial education portal, by adopting new communication styles, making it easier to find content and increasing user engagement. The Bank has always been keen to embrace new technology within the

scope of its activities. In 2023, initiatives were taken to create a platform for the use of innovative artificial intelligence and machine learning techniques with the aim of expanding the availability of analytical tools, enhancing process automation and reducing operational risks.

#### COSTS AND REIMBURSEMENTS FOR EUROSISTEM INFRASTRUCTURE

Together with other national central banks, the Bank of Italy provides services for developing and managing the Eurosystem's technological infrastructures. As service provider, the Bank receives reimbursements from the Eurosystem that are recorded under *Other income* and that amounted to €73 million in 2023 (€64 million in 2022; see Figure 16).

As a co-owner of the Eurosystem's shared infrastructures, jointly with the other national central banks, the Bank receives fees and bears costs in proportion to its share of the ECB's capital. The fees amounted to €22 million (€53 million in 2022) and are recorded under fee income. The costs, €31 million (€50 million in 2022), are reported under administrative expenses.

Property management and maintenance costs, included in *administrative expenses*, increased compared with 2022, owing to price changes in contracts with suppliers, in line with recent public procurement requirements. In 2023, the Bank continued to implement the plan for the logistical reorganization and renovation of certain buildings of its head office and branch network. In addition, new work was done in institutional buildings to reshape the working environments to fit the hybrid work model.<sup>29</sup> In line with the Bank's goal of reducing its environmental footprint (see 'Strategic planning'), a number of initiatives were launched to reduce energy needs, with a focus on sustainability, including in input procurement. In order to support business continuity and the expected development of processing capacity needs, the Bank completed the acquisition of land to build a new data processing centre (see 'Disclosure of relations with subsidiary and associate companies'). Design solutions for improving the safety of the existing site and achieving high energy standards are also under consideration.

In recent years, *other expenses* have held broadly stable, with the exception of a peak in 2020 as a result of the higher charitable donations approved for the health emergency.

#### The Bank's staff

At 31 December 2023, the Bank's employees numbered 6,968, of which 4,688 working at the head office, 1,981 at branch offices and 299 seconded to other

<sup>29</sup> The Bank fully adopted this model, combining remote and in-person working arrangements, on 1 April 2022.

organizations (Table 3). The total number of staff was up by 128 compared with the end of 2022. There were 240 new employees, of whom about 82 per cent hold a required university degree. Terminations totalled 112 (145 in 2022).

**Table 3**

Composition of the Bank's staff												
AREAS	31.12.2023						31.12.2022					
	Men	Women	Total	At branch- es (1)	At Head Office	At other organi- zations (2)	Men	Women	Total	At branch- es (1)	At Head Office	At other organi- zations
Managerial and High-Level Professional Area	2,430	1,375	<b>3,805</b>	770	2,775	260	2,346	1,303	<b>3,649</b>	744	2,637	268
<i>of which:</i> Managing Directors and Principal Directors	65	22	<b>87</b>	11	70	6	65	19	<b>84</b>	8	70	6
Operational Area	1,921	1,238	<b>3,159</b>	1,215	1,905	39	1,937	1,249	<b>3,186</b>	1,243	1,897	46
Contract workers	4	–	<b>4</b>	–	4	–	5	–	<b>5</b>	–	5	–
<b>Total</b>	<b>4,355</b>	<b>2,613</b>	<b>6,968</b>	<b>1,985</b>	<b>4,684</b>	<b>299</b>	<b>4,288</b>	<b>2,552</b>	<b>6,840</b>	<b>1,987</b>	<b>4,539</b>	<b>314</b>

(1) Also includes four employees posted to representative offices abroad. – (2) Includes members of staff on leave of absence and/or on secondment to: the ECB (36 per cent), international bodies (15 per cent), the general government sector (8 per cent) and, for the remainder, to IVASS or other entities.

As at end-2023, the managerial and high-level professional area accounted for 54.6 per cent of total staff, broadly in line with the previous year. The staff's average age at the end of 2023 was 48.9 years (48.6 years in 2022) and 37.5 per cent of the Bank's employees were women (37.3 per cent in 2022). On average, 37 per cent of workdays were worked remotely (42 per cent in 2022). During the year, 6,043 staff members received training, or 86.7 per cent of all, for a total of around 245,000 hours of training.

## Other information

### Strategic planning

In January 2023, the Bank published its *Strategic Plan for 2023-25*, which sets out its vision, objectives and action plans to be achieved and provides a comprehensive and consistent framework for the overall governance of the Bank's resources in the performance of its many functions. The Plan sets out five strategic objectives: (a) strengthening commitment to a stable and safe financial system; (b) promoting economic and financial innovation more strongly in Italy and across Europe; (c) increasing protection for consumers who use banking and financial services and intensifying direct and open dialogue with external stakeholders; (d) fostering the energy transition and environmental stewardship; (e) making our organization increasingly inclusive, efficient and able to innovate. Further details can be found on the Bank's website.

## Organizational measures

In 2023, an exercise was carried out to monitor the hybrid work model and assess its impact on a number of key variables (effectiveness, efficiency, risk protection, social relations, human health and environmental sustainability). The findings of the analysis reflect a positive overall picture in terms of motivation and accountability, coordination and cooperation across offices, timely exchange of information and reduction of operational risks linked to the concentration of activities in one place. The reduction in commuting and business travel also contributed to lowering the Bank's carbon footprint. However, issues were highlighted with regard to reduced personal interaction and opportunities for engaging in more creative activities. A number of initiatives were outlined to: (a) expand the range of digital tools for cooperation, planning and monitoring of operations; (b) review processes and encourage greater decentralization of responsibilities; (c) make more flexible and efficient use of office space, also with a view to reducing property costs.

As regards the organizational structure, a number of measures were taken in 2023, including to: (a) strengthen the Bank's commitment to promoting diversity and inclusion policies, with the creation of the Diversity and Inclusion Hub; (b) focus research and analysis on key global economic issues and strengthen the link between research and economic diplomacy; (c) transpose regulatory amendments by suppressing provincial treasuries, creating a special division for regulatory activities within the Resolution and Crisis Management Unit, and assigning new authorization and supervision responsibilities to the Directorate General for Financial Supervision and Regulation regarding providers of crowdfunding services for businesses.

In addition, the Bank's presence abroad was strengthened with the establishment of a representative office at the House of the Euro, the new working space shared by Eurosystem central banks to enhance cooperation on issues of common interest.

## Banknote production and circulation

In 2023, a total of 925 million banknotes were produced, in denominations of €20 and €50 for the second series. The Bank also completed the production of the remaining notes scheduled for 2022 and produced a large part of its share for 2023, ahead of the annual production schedule.

The Bank's banknote production plant continued to provide support to the Eurosystem in its capacity as Main R&D Test Print Centre. In this role, the Bank was selected by the ECB to take care of a preliminary project to review the look of six denominations of euro banknotes, including the creation and integration of new security features for the general public. The Bank's banknote production plant also continued to work as quality tools test centre and storage and distribution centre.



In 2023, as in the three years before, the watermarked paper needs were entirely met through the Bank's two in-house paper manufacturers (Valoridicarta SpA and Europafi SaS).<sup>30</sup>

The Bank's branches continue to play an important role in meeting the demand for banknotes and in ensuring that the quality of those in circulation remains high. Last year, 2.2 billion banknotes were put into circulation (2.3 billion in 2022). The banknotes returned and checked by the Bank of Italy amounted to 2.1 billion (2 billion in 2022), while 0.8 billion (0.7 billion in 2022) were withdrawn from circulation.

### **Environmental policy and workplace safety**

In 2023, the Bank continued its efforts to reduce its ecological footprint through the rational use of energy and natural resources, optimal waste management, sustainable mobility, green procurement and raising environmental awareness. The *Environment Report*, published yearly and available on the Bank of Italy's website, describes the ecological and carbon footprint of the Bank's operations and summarizes the main measures taken to reduce it.

The Bank, in partnership with the Carabinieri police force, carried out a reforestation project in four areas of Italy. In order to offset part of its greenhouse gas emissions, the Bank will also co-finance forestation and renewable energy production projects in 2024 by purchasing carbon credits on the voluntary market.

A study has been launched to re-use shredded banknotes with a view to reducing the Bank's environmental impact and in line with the ECB's guidance to stop sending shredded banknotes to waste facilities. In 2023, the ISO 9001, 14001 and 45001 certifications for quality, environmental policy and occupational health and safety were renewed for the production of banknotes.

The Bank values the environment and sustainability and this influences how it manages its investment portfolio, favouring companies that adopt environmental, social and governance (ESG) best practices. In March 2023, the Bank published its second *Report on sustainable investments and climate-related risks*, which follows through on the commitment made with the publication of the *Responsible Investment Charter*,<sup>31</sup> to disclose the results of the management of its non-monetary policy investments and provide information on the methodologies used in considering ESG risks (see *Assets*).

<sup>30</sup> The Bank holds participating interests in both Europafi and Valoridicarta (see 'Disclosure of relations with subsidiary and associate companies'). The Bank can take advantage of the special in-house procurement system if analogous joint control requirements are met and the supply terms are in line with the market price.

<sup>31</sup> The Charter concerns financial assets managed under the Bank's own responsibility, namely its financial portfolio and foreign exchange reserves investments. It sets out the Bank's vision of sustainability and includes the principles and criteria underlying the sustainable management of its financial investments; it also outlines the precise commitments through which the Bank plans to make tangible contributions to sustainable growth.

The Bank intends to step up its efforts to gradually reduce its environmental and carbon footprint. More specifically, the Bank has launched a long-term transition plan to achieve net zero emissions for internal operations.

In terms of workplace safety, 2023 initiatives to protect people's health and well-being involved some changes in the methodology for risk assessment, including fire risk. The Bank started assessing safety risks associated with the introduction of new machinery into the banknote production plant. In addition, several initiatives were launched in 2023 in the area of psychological well-being and health prevention, with regular preventive medicine campaigns for employees.

### **Disclosure of transactions with subsidiary and associate companies**

The Bank of Italy is the sole shareholder of Società Italiana di Iniziative Edilizie e Fondiarie SpA (SIDIEF), a real estate company whose main activity is the management and rental of its own properties. The Bank directs and coordinates the activities of the subsidiary, principally with regard to its corporate strategy, but it does not interfere in areas of managerial autonomy. A special agreement regulates relations between the Bank of Italy and SIDIEF and sets out the rental policies applying to employees and to the buildings used by the Bank itself. Last year, total rentals remitted by the Bank to SIDIEF amounted to about €1 million.

At the end of the financial year, the Bank of Italy also held the entire share capital of Italtec 90 srl, following its acquisition in 2022. The sole purpose of the transaction was to buy land owned by Italtec 90 srl and deemed suitable for the construction of a new data centre. The company went into liquidation on 11 July 2023 and its land was assigned to the Bank before the end of the year.

The Bank of Italy holds a participating interest in the capital of Valoridicarta Spa, a company formed in 2018 by the State printing works and mint, Istituto Poligrafico e Zecca dello Stato SpA (IPZS), to manufacture special papers and embedded holographic security and anti-counterfeiting components. The corporate structure, based on the in-house providing model governed by Directive 2014/24/EU, envisages a majority shareholder (IPZS) and a minority shareholder (the Bank of Italy, with 18.26 per cent). The Bank of Italy also holds a 0.50 per cent participating interest in Europafi Sas, the paper manufacturer formed by the Banque de France. In this case as well, the Bank of Italy exercises control according to the in-house providing rules. Shareholders' agreements set out the relationship between the shareholders with regard to their stakes in the two companies and the functioning of the corporate bodies.

## **ANNUAL ACCOUNTS**

## BALANCE SHEET

ASSETS	NOTE	Amounts in euros	
		31.12.2023	31.12.2022
<b>1 GOLD AND GOLD RECEIVABLES</b>	[1]	<b>147,238,631,639</b>	<b>134,487,837,464</b>
<b>2 CLAIMS ON NON-EURO-AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY</b>	[1]	<b>76,795,907,191</b>	<b>76,712,655,037</b>
2.1 Claims on the IMF		32,891,399,747	32,987,715,414
2.2 Securities		38,489,045,916	34,508,433,737
2.3 Current accounts and deposits		4,518,306,297	8,355,296,873
2.4 Reverse operations		893,574,661	858,053,628
2.5 Other assets		3,580,570	3,155,385
<b>3 CLAIMS ON EURO-AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY</b>	[1]	<b>1,856,847,633</b>	<b>1,212,076,445</b>
3.1 Financial counterparties		1,606,381,796	1,212,076,445
3.1.1 Securities		110,493,403	69,025,622
3.1.2 Reverse operations		904,977,376	178,136,133
3.1.3 Other assets		590,911,017	964,914,690
3.2 General government		250,465,837	-
3.3 Other counterparties		-	-
<b>4 CLAIMS ON NON-EURO AREA RESIDENTS</b>	[4]	<b>1,901,709,418</b>	<b>1,917,836,710</b>
4.1 Claims on EU central banks outside the euro area		-	-
4.2 Securities		1,901,708,983	1,913,513,287
4.3 Other claims		435	4,323,423
<b>5 LENDING TO EURO-AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS</b>	[2]	<b>149,801,050,000</b>	<b>356,451,020,000</b>
5.1 Main refinancing operations		9,496,500,000	712,000,000
5.2 Longer-term refinancing operations		140,304,550,000	355,739,020,000
5.3 Fine-tuning reverse operations		-	-
5.4 Structural reverse operations		-	-
5.5 Marginal lending facility		-	-
5.6 Credits related to margin calls		-	-
<b>6 OTHER CLAIMS ON EURO-AREA CREDIT INSTITUTIONS</b>	[3]	<b>130,235,813</b>	<b>363,464,455</b>
<b>7 EURO-DENOMINATED SECURITIES ISSUED BY EURO-AREA RESIDENTS</b>		<b>721,135,325,520</b>	<b>760,908,451,066</b>
7.1 Securities held for monetary policy purposes	[2]	656,798,125,421	696,149,770,691
7.2 Other securities	[4]	64,337,200,099	64,758,680,375
<b>8 EURO-DENOMINATED GENERAL GOVERNMENT DEBT</b>	[4]	<b>13,158,559,344</b>	<b>13,288,674,307</b>
<b>9 INTRA-EUROSYSTEM CLAIMS</b>	[5]	<b>53,647,050,091</b>	<b>56,290,038,301</b>
9.1 Participating interest in the ECB		1,509,624,881	1,509,624,881
9.2 Claims arising from the transfer of foreign reserves to the ECB		6,853,825,810	6,853,825,810
9.3 Net claims related to the allocation of euro banknotes within the Eurosystem		45,283,599,400	47,926,587,610
9.4 Other claims within the Eurosystem (net)		-	-
<b>10 ITEMS IN COURSE OF SETTLEMENT</b>		<b>955</b>	<b>955</b>
<b>11 OTHER ASSETS</b>	[6]	<b>87,727,081,677</b>	<b>74,942,040,341</b>
11.1 Euro-area coins		75,719,625	76,278,973
11.2 Financial assets related to the investment of reserves and provisions	[4]	67,448,857,302	63,450,917,339
11.3 Intangible fixed assets		66,036,400	61,117,044
11.4 Tangible fixed assets		1,581,737,720	1,650,317,174
11.5 Accruals and prepaid expenses		9,365,463,608	5,800,898,946
11.6 Deferred tax assets		2,718,636,020	355,583,841
11.7 Sundry		6,470,631,002	3,546,927,024
<b>TOTAL</b>		<b>1,253,392,399,281</b>	<b>1,476,574,095,081</b>

THE ACCOUNTANT GENERAL: PAOLO SESTITO

THE GOVERNOR: FABIO PANETTA

## BALANCE SHEET

LIABILITIES	NOTE	Amounts in euros	
		31.12.2023	31.12.2022
<b>1 BANKNOTES IN CIRCULATION</b>	[7]	<b>242,975,037,945</b>	<b>245,700,897,735</b>
<b>2 LIABILITIES TO EURO-AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS</b>	[2]	<b>188,702,569,578</b>	<b>245,002,349,587</b>
2.1 Current accounts (covering the minimum reserve system)		20,344,077,281	22,428,356,174
2.2 Deposit facility		168,358,492,297	222,573,993,413
2.3 Fixed-term deposits		-	-
2.4 Fine-tuning reverse operations		-	-
2.5 Deposits related to margin calls		-	-
<b>3 OTHER LIABILITIES TO EURO-AREA CREDIT INSTITUTIONS</b>		-	<b>841,634,128</b>
<b>4 LIABILITIES TO OTHER EURO-AREA RESIDENTS</b>	[8]	<b>57,397,129,158</b>	<b>62,991,641,411</b>
4.1 General government		32,125,817,688	29,996,794,918
4.1.1 Treasury payment account		31,988,618,947	29,865,722,831
4.1.2 Other liabilities		137,198,741	131,072,087
4.2 Other counterparties		25,271,311,470	32,994,846,493
<b>5 LIABILITIES TO NON-EURO-AREA RESIDENTS</b>	[9]	<b>7,108,263,164</b>	<b>6,868,122,239</b>
5.1 Liabilities to EU central banks outside the euro area		-	-
5.2 Other liabilities		7,108,263,164	6,868,122,239
<b>6 LIABILITIES TO EURO-AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY</b>	[1]	<b>643,476,361</b>	<b>556,072,394</b>
6.1 Financial counterparties		-	-
6.2 General government		643,476,361	556,072,394
6.3 Other counterparties		-	-
<b>7 LIABILITIES TO NON-EURO-AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY</b>	[1]	<b>2,773,203</b>	<b>2,756,893</b>
7.1 Current accounts and deposits		2,773,203	2,756,893
7.2 Other liabilities		-	-
<b>8 COUNTERPART OF SDRS ALLOCATED BY THE IMF</b>	[1]	<b>25,554,048,577</b>	<b>26,310,769,601</b>
<b>9 INTRA-EUROSYSTEM LIABILITIES</b>	[5]	<b>522,001,415,621</b>	<b>681,925,185,605</b>
9.1 Liabilities related to the issuance of ECB debt certificates		-	-
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem		-	-
9.3 Other liabilities within the Eurosystem (net)		522,001,415,621	681,925,185,605
<b>10 ITEMS IN COURSE OF SETTLEMENT</b>		<b>1,770,134</b>	<b>164,489</b>
<b>11 OTHER LIABILITIES</b>	[10]	<b>4,992,710,012</b>	<b>9,371,291,990</b>
11.1 Cashier's cheques		40,133,927	49,895,788
11.2 Accruals and income collected in advance		260,091,040	5,524,816,668
11.3 Sundry		4,692,485,045	3,796,579,534
<b>12 PROVISIONS</b>	[11]	<b>7,434,248,807</b>	<b>7,389,767,649</b>
12.1 Provisions for specific risks		487,473,523	470,972,366
12.2 Staff-related provisions		6,946,775,284	6,918,795,283
<b>13 REVALUATION ACCOUNTS</b>	[12]	<b>139,846,151,150</b>	<b>126,039,356,058</b>
<b>14 GENERAL RISK PROVISION</b>	[11]	<b>29,613,675,075</b>	<b>35,213,675,075</b>
<b>15 CAPITAL AND RESERVES</b>	[13]	<b>26,304,085,739</b>	<b>26,304,085,739</b>
15.1 Capital		7,500,000,000	7,500,000,000
15.2 Statutory reserves		11,064,574,818	11,064,574,818
15.3 Other reserves		7,739,510,921	7,739,510,921
<b>16 NET PROFIT FOR THE YEAR</b>		<b>815,044,757</b>	<b>2,056,324,488</b>
<b>TOTAL</b>		<b>1,253,392,399,281</b>	<b>1,476,574,095,081</b>

THE ACCOUNTANT GENERAL: PAOLO SESTITO

THE GOVERNOR: FABIO PANETTA

## PROFIT AND LOSS ACCOUNT

	NOTE	Amounts in euros	
		2023	2022
1.1 Interest income		27,479,336,786	12,990,763,912
1.2 Interest expense		-33,154,572,823	-7,203,602,696
<b>1 NET INTEREST INCOME</b>	[14]	<b>-5,675,236,037</b>	<b>5,787,161,216</b>
2.1 Realized gains/losses arising from financial operations		270,463,739	-41,085,115
2.2 Write-downs on financial assets and positions		-98,971,691	-1,377,288,927
2.3 Transfers to/from the general risk provision for financial risks		5,600,000,000	-2,500,000,000
<b>2 NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND TRANSFERS TO/FROM RISK PROVISIONS</b>	[15]	<b>5,771,492,048</b>	<b>-3,918,374,042</b>
3.1 Fee and commission income		40,127,431	75,335,914
3.2 Fee and commission expense		-22,013,089	-24,296,886
<b>3 NET INCOME FROM FEES AND COMMISSIONS</b>	[16]	<b>18,114,342</b>	<b>51,039,028</b>
<b>4 INCOME FROM PARTICIPATING INTERESTS</b>	[17]	<b>-</b>	<b>7,086,441</b>
<b>5 NET RESULT OF POOLING OF MONETARY INCOME</b>	[18]	<b>-1,138,946,012</b>	<b>2,379,563,930</b>
6.1 Interest income		893,607,751	793,951,461
6.2 Dividends from equity shares and participating interests		519,847,079	433,348,748
6.3 Realized gains/losses arising from financial operations		336,487,722	67,350,333
6.4 Write-downs on financial assets and positions		-243,135,577	-483,661,997
6.5 Other components		19,630,161	18,866,541
<b>6 NET INCOME FROM FINANCIAL ASSETS RELATED TO THE INVESTMENT OF RESERVES AND PROVISIONS</b>	[19]	<b>1,526,437,136</b>	<b>829,855,086</b>
<b>7 OTHER TRANSFERS FROM PROVISIONS</b>		<b>-</b>	<b>-</b>
<b>8 OTHER INCOME</b>	[20]	<b>93,489,049</b>	<b>86,290,539</b>
		<b>TOTAL NET INCOME</b>	<b>595,350,526</b>
			<b>5,222,622,198</b>
9.1 Staff wages and salaries		-779,281,287	-692,779,438
9.2 Social security and insurance		-196,057,403	-173,156,732
9.3 Other staff costs		-63,170,153	-56,279,028
9.4 Pensions and severance payments		-284,127,001	-298,805,908
9.5 Transfers to/from provisions for staff severance pay and pensions, contributions to the supplementary pension fund and other expenses		-107,205,520	75,592,879
9.6 Emoluments paid to head office and branch collegial bodies		-2,929,659	-2,866,176
9.7 Administrative expenses		-517,287,006	-527,658,106
9.8 Depreciation and amortization of tangible and intangible fixed assets		-123,176,791	-122,409,518
9.9 Banknote production services		-	-
9.10 Other expenses		-46,828,605	-64,231,051
<b>9 EXPENSES AND SUNDRY CHARGES</b>	[21]	<b>-2,120,063,425</b>	<b>-1,862,593,078</b>
<b>10 OTHER TRANSFERS TO PROVISIONS</b>		<b>-</b>	<b>-</b>
		<b>PROFIT BEFORE TAX</b>	<b>-1,524,712,899</b>
			<b>3,360,029,120</b>
<b>11 TAXES ON INCOME FOR THE YEAR AND ON PRODUCTIVE ACTIVITIES</b>	[22]	<b>2,339,757,656</b>	<b>-1,303,704,632</b>
		<b>NET PROFIT FOR THE YEAR</b>	<b>815,044,757</b>
			<b>2,056,324,488</b>

THE ACCOUNTANT GENERAL: PAOLO SESTITO

THE GOVERNOR: FABIO PANETTA

## NOTES TO THE ANNUAL ACCOUNTS

### *Legal basis, method of preparation and structure 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 regulatory provisions issued by the ECB. Where these do not provide any guidance, the Bank, where applicable, follows the rules in the Civil Code and refers to national accounting principles. The figures in the balance sheet and in the profit and loss account are presented in units of euros, while those in the notes to the accounts are given in millions of euros, unless otherwise stated.

The main relevant statutory provisions 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'). It states that 'in drawing up its annual accounts, the Bank of Italy may adapt, in derogation from the rules in force, its accounting and reporting criteria to comply with the rules established by the ECB pursuant to Article 26.4 of the Statute of the ESCB and with the ECB recommendations issued 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, for the purposes of the corporate income tax (IRES), and by Article 6.7 of Legislative Decree 446/1997 for the purposes of the regional tax on productive activities (IRAP).

On the basis of the authority granted by Article 8, the Bank of Italy fully applies the accounting rules and recommendations issued by the ECB, including those on the structure of the profit and loss account and the structure of the balance sheet. The latter is similar to that used for the monthly financial statement approved by the Minister of Economy and Finance pursuant to Article 8.2 of Legislative Decree 43/1998. The rules adopted by the ECB are set out in Guideline No. 34 of 3 November 2016 (published in OJ L347 of 20 December 2016), as amended, which contains provisions mainly in relation to items of the annual accounts that refer to the institutional activities of the ESCB and non-binding recommendations for the other items of the annual accounts.

- The Bank's Statute, approved by the Presidential Decree of 27 June 2022, 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, Legislative Decree 127/1991, as amended, shall apply.



*Accounting policies.* – The accounting policies applied to the main balance sheet items in the annual accounts for 2023 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*

- holdings, including those consisting of securities, are valued by applying, for each currency and for gold, the method based on the daily average net cost determined in the manner established by the ECB, which requires taking into account operations carried out during the year but settled in the following 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.

Assets denominated in foreign currency, recorded in the balance sheet sub-item *Financial assets related to the investment of reserves and provisions*, are not included in the net foreign exchange position but shown as a separate item.

*Securities and participating interests*

- each security (identified by its International Securities Identification Number – ISIN) is valued for each portfolio by applying the method of the daily average cost determined 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 made:
  - 1) in the case of securities held for monetary policy purposes, at amortized cost subject to impairment (lasting reduction in recoverable value with respect to book value);
  - 2) in other cases:
    - a) at amortized cost subject to impairment, for non-marketable securities and those held to maturity;
    - b) at cost subject to impairment, for non-marketable equity instruments and participating interests held as permanent investments. The participating interest in the capital of the ECB is valued at cost. The Bank's annual 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;

- c) at market price recorded at the end of the year, for shares, investment fund shares and securities not held to maturity; for units of undertakings for collective investment (UCIs), at the value available at the end of the year announced by the management company. Unrealized gains are included in the corresponding revaluation accounts; losses are covered first by earlier unrealized gains on the related securities and fund shares within each portfolio and any amount in excess is taken to the profit and loss account.

Dividends are recognized on a cash basis.

#### *CLAIMS AND REVERSE TRANSACTIONS*

Claims are recorded at their nominal value, except for decreases in value regarding particular situations attributable to the counterparty.

Reverse transactions represented by the purchase of securities for cash with a simultaneous agreement to sell them back to the counterparty at an agreed price on a set future date are recorded on the asset side as collateralized loans. Reverse transactions represented by the sale of securities for cash with a simultaneous agreement to repurchase them from the counterparty at an agreed price on a set future date are recorded on the liabilities side as collateralized deposits.

Reverse transactions in connection with securities lending programmes are recognized in the balance sheet only where collateral has been provided in the form of cash deposited in an account of the central bank and this cash remains uninvested at the end of the year.

#### *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 of investment property, unusable for other purposes without radical restructuring, 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 depreciated and are valued at whichever is lowest of net book value and realizable value based on market prices.

##### *Plant, furniture 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). Artwork is not depreciated.

Depreciation begins in the quarter subsequent to that of acquisition both for buildings and for plant, furniture and equipment. Tangible fixed assets are subject to impairment in the event of a lasting reduction in value.

#### *INTANGIBLE FIXED ASSETS*

The procedures developed as part of the Eurosystem IT projects are capitalized at purchase price and, once completed, are amortized on the basis of amortization rates deemed consistent with the remaining useful life of the assets.

The costs relating to internally developed application software are recorded in the profit and loss accounts in the years in which they are incurred, even if the software's useful life covers a multi-year period.

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, over the estimated useful life.

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.

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

#### *ACCRUALS AND PREPAYMENTS*

Accrued income and expenses are recorded in the period in which they arise. Prepaid income and expenses represent costs or revenues that arise in future periods but that are paid or received in the current accounting period. 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 euro banknotes (Decision ECB/2010/29 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 their shares in the capital of the ECB ('capital key'). The share of banknotes allocated to each NCB is disclosed under the balance sheet liability item *Banknotes in circulation*. 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 (Decision ECB/2016/36 on the allocation of monetary income of the national central bank of Member States whose currency is the euro). The outstanding adjustments in 2023 stem from the accession of the Central Bank of Croatia to the Eurosystem (1 January 2023) and will end at the end of 2028.

The interest income and expense on intra-Eurosystem balances are 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, CBPP3, ABSPP, PSPP and PEPP must be recognized to the euro-area NCBs with reference to the financial year in which they accrued and are distributed in January of the following year, or later, in the form of an interim distribution of profit (Decision ECB/2014/57, OJ L53 of 25 February 2015, as amended). The seigniorage income and the income arising from the above securities purchase programmes are distributed in full unless, based on a reasonable estimate, the Governing Council expects the ECB to report a loss for the year or to report a net profit for the year that is lower than these incomes. The Governing Council can also decide to transfer all or part of the income to a provision for financial risks. It may also decide to reduce the seigniorage income to be recognized by the amount of the expenses incurred in connection with the issue and handling of banknotes.

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 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 euro within the EU that are settled in central bank money. These transactions, most of

which are ordered by private individuals, are settled in TARGET – the Eurosystem’s real-time gross settlement system – giving rise to bilateral balances in the TARGET accounts of EU Member States’ central banks. Payments conducted by the ECB and the NCBs also affect these accounts. All settlements are automatically aggregated and adjusted to form part of a single position vis-à-vis the ECB. Movements in the TARGET accounts are recorded on a daily basis in the accounting records of the ECB and the NCBs. The balance with the ECB arising from TARGET and the other intra-Eurosystem balances denominated in euro, including the provisional distribution of the ECB’s profit to the NCBs and the result of pooling of monetary income, are recorded in the balance sheet 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 related 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 of Italy’s Statute, the general risk provision covers risks connected with the Bank’s overall activity, including those that cannot be determined individually or allocated objectively.

Market and credit risks are estimated by the methods developed within the Eurosystem, with consideration also given to the size of the revaluation accounts. The risk of incurring losses in the profit and loss account owing to the different sensitivity of the balance sheet assets/liabilities to changes in rates is monitored periodically using profitability estimates conducted for different scenarios.

#### *TAX PROVISION*

The provision for taxation includes deferred tax liabilities for IRES and IRAP and any amounts arising from possible fiscal checks and disputes with the tax authorities.

#### *STAFF-RELATED PROVISIONS*

The recorded amounts are determined as follows:

- 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 staff retirement rules (*Regolamento per il trattamento di quiescenza del personale*) 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;
- transfers to the provisions for measures connected with the reorganization of the Bank's branch network and with voluntary early retirement for staff at the head office and at the branches not scheduled to be closed are calculated on the basis of the expected costs;
- transfers to the provision for severance pay for 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;
- transfers arising from lump-sum disbursements to staff hired on or after 28 April 1993 who joined the defined-contribution supplementary pension fund, to be settled upon their leaving service, are funded on the basis of measures agreed upon with the trade unions and partly tied to the achievement of certain productivity, quality, efficiency and effectiveness targets;
- the provision for staff costs includes the costs accrued but not paid at year-end.

#### *OTHER ASSETS AND LIABILITIES*

Pursuant to Recommendation ECB/1999/NP7 of the ECB Governing Council, banknote production costs 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. The recognition of deferred tax assets in the balance sheet is based on the reasonable expectation of recovering them in the future. The amount of deferred tax assets and liabilities is calculated using the tax rates that are expected to be in force at the time in which the temporary differences that have generated them are reversed.

The items *Other assets* and *Other liabilities* include, respectively, the investments and separate capital of the defined-contribution supplementary pension fund created for staff hired on or 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.

*Other liabilities* include the amount of IRES and IRAP tax payables, net of payments on account, due for the reference period, determined on the basis of a realistic

estimate of the foreseeable costs under the tax rules in force. Any excess payments on account are recorded correspondingly under *Other assets*.

*Other liabilities* also include the special item made up of allocations of the net profit in accordance with Article 38.2.b of the Statute, whose purpose is to stabilize over time the amount of net profit paid to the shareholders under the dividend policy in force.

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

#### COMMITMENTS, COLLATERAL GRANTED AND OTHER OFF-BALANCE-SHEET ACCOUNTS

Commitments, collateral granted and other off-balance-sheet accounts are shown and explained in the notes to the accounts.

Commitments include the following types of operations:

##### *Forward purchases and sales of foreign currency*

- forward purchases and sales are recorded in off-balance-sheet accounts from the trade date to the settlement date, at the ECB reference rate at the trade date. The difference between this exchange rate and the forward exchange rate is recorded, on a *pro rata temporis* basis, under interest in the profit and loss account;
- forward sales of the currencies included in the special drawing rights (SDR) basket to cover the SDR position are valued in conjunction with the latter and therefore do not affect the net positions in the single currencies.

##### *Foreign currency swaps*

- forward and spot purchases and sales are recorded in the off-balance-sheet accounts from the trade date to the settlement date, at the spot exchange rate agreed with the counterparty. The difference between this rate and the forward exchange rate 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 off-balance-sheet accounts are transferred to the appropriate items of the balance sheet.

##### *Futures contracts*

- are recorded in the off-balance-sheet 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 off-balance-sheet 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.

Forward foreign currency transactions and other financial instruments involving an exchange of one currency for another at a future date are included in the calculation, at the spot settlement date, of the outstanding net foreign currency positions for the purposes of applying the daily net average cost method and of determining the foreign exchange gains and losses.

Commitments in respect of foreign currency transactions are shown at the contractually agreed exchange rate.

Other off-balance-sheet accounts include:

- bonds of third parties denominated in euro held on deposit, stated at their nominal value; other securities are stated on a quantity basis, and other kinds are stated at face value or at conventional value;
- the total balance sheet assets of the National Resolution Fund (NRF), set up within the Bank of Italy under Article 78 of Legislative Decree 180/2015. The NRF has its own capital, which is independent and separate in all respects 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 by 30 April of the year following the reference year.

Items denominated in foreign currency are converted at the year-end exchange rates communicated by the ECB.

### *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 the purpose or type of operation. Comments on the other items follow the structure of the balance sheet.

#### **[1] Gold, assets and liabilities denominated in foreign currency**

The value of gold amounted to €147,239 million at the end of 2023 (Table 4). The increase of €12,751 million was entirely due to the rise of 9.5 per cent in the metal's price compared with the end of 2022 (from €1,706.075 to €1,867.828 per ounce). The holding remained steady at 79 million ounces, equal to 2,452 tonnes.

The value of net assets denominated in foreign currency rose by 2.7 per cent, from €51,055 million to €52,452 million as a result of the increase in the holdings, which

Table 4

<b>Gold, assets and liabilities denominated in foreign currency (1)</b> (millions of euros)			
	31.12.2023	31.12.2022	Change
<b>Gold (Item 1)</b>	<b>147,239</b>	<b>134,488</b>	<b>12,751</b>
<b>Net assets denominated in foreign currency</b>	<b>52,452</b>	<b>51,055</b>	<b>1,397</b>
<b>Assets denominated in foreign currency</b>	<b>78,652</b>	<b>77,925</b>	<b>727</b>
Claims on the IMF (Sub-item 2.1)	32,891	32,988	-97
Securities (Sub-items 2.2, 3.1.1 and 3.2)	38,850	34,578	4,272
Current accounts and deposits (Sub-items 2.3 and 3.1.3)	5,109	9,320	-4,211
Reverse operations (Sub-items 2.4 and 3.1.2)	1,798	1,036	762
Other assets (Sub-item 2.5)	4	3	1
<b>Liabilities denominated in foreign currency</b>	<b>26,200</b>	<b>26,870</b>	<b>-670</b>
Counterpart of SDRs allocated by the IMF (Item 8)	25,554	26,311	-757
Advances of general government departments (Sub-item 6.2)	643	556	87
Current accounts and deposits (Sub-item 7.1)	3	3	-
<b>Off-balance-sheet instruments (2)</b>	<b>-960</b>	<b>-1,986</b>	<b>1,026</b>

(1) The figures do not include financial assets denominated in foreign currency related to the investment of the overall amount of own funds as they constitute a separate foreign currency position. – (2) The item includes spot foreign exchange transactions contracted but not settled at year end and forward transactions at market value.

was only partly offset by the depreciation of almost all currencies in the portfolio against the euro.<sup>26</sup> At the end of the year, the unrealized exchange rate gains recognized in the revaluation accounts were equal to €12,811 million, primarily due to the appreciation of gold (Table 5). Unrealized losses amounted to €2,214 million, of which €2,205 million were covered by the corresponding revaluation accounts. The remaining amount, equal to €9 million, was recorded in the profit and loss account.

Table 5

<b>Unrealized foreign exchange gains and losses</b> (millions of euros)					
	Revaluation accounts at 31 December 2022	Gains reported in the revaluation accounts	Losses reported		Revaluation accounts at 31 December 2023
			in the revaluation accounts	in the profit and loss account	
Gold	115,067	12,751	-	-	127,818
US dollars	5,258	-	-1,516	-	3,742
British pounds	140	60	-	-	200
Japanese yen	486	-	-378	-	108
Australian dollars	81	-	-81	-4	-
Canadian dollars	115	-	-22	-	93
SDRs	307	-	-171	-	136
Chinese renminbi	45	-	-37	-	8
South Korean won	-	-	-	-5	-
<b>Total</b>	<b>121,499</b>	<b>12,811</b>	<b>-2,205</b>	<b>-9</b>	<b>132,105</b>

Claims on the IMF decreased by €97 million (Table 6; see the box ‘The IMF in the Bank of Italy’s balance sheet’). This change was mainly due to the depreciation

<sup>26</sup> Compared with the end of the previous year, the currencies that depreciated were the US dollar (from \$1.0666 to \$1.1050), the Japanese yen (from ¥140.66 to ¥156.33), the Australian dollar (from A\$1.5693 to A\$1.6263), the SDRs (from €1.2517 to €1.2157), the Canadian dollar (from C\$1.4440 to C\$1.4642), the Chinese renminbi (from ¥7.3582 to ¥7.8509) and the South Korean won (from ₩1,344.09 to ₩1,433.66). Instead, the British pound appreciated (from £0.88693 to £0.86905).

of SDRs against the euro, which was only partly offset by the purchase of around SDR 739 million against euros and US dollars. Furthermore, over the course of the year, the Resilience and Sustainability Trust (RST, for lending to vulnerable low- and middle-income countries)<sup>27</sup> was activated and participation in the Poverty Reduction and Growth Trust (PRGT, for lending to low-income countries) was increased.

**Table 6**

<b>Accounts with the International Monetary Fund</b>			
<i>(millions of euros)</i>			
	31.12.2023	31.12.2022	Change
<b>Assets</b>			
<b>Claims on the IMF (Sub-item 2.1)</b>	<b>32,891</b>	<b>32,988</b>	<b>-97</b>
a) Reserve Tranche Position in the IMF	4,970	5,292	-322
Quota in the IMF	18,321	18,863	-542
IMF holdings	-13,351	-13,571	220
b) Participation in the PRGT	1,186	1,027	159
c) Participation in the NAB	17	83	-66
d) Participation in the RST	420	–	420
e) SDRs	26,298	26,586	-288
<b>Liabilities</b>			
<b>Counterpart of SDRs allocated by the IMF (Item 8)</b>	<b>25,554</b>	<b>26,311</b>	<b>-757</b>

#### THE IMF IN THE BANK OF ITALY'S BALANCE SHEET

Italy's position vis-à-vis the International Monetary Fund is recorded in the Bank of Italy's balance sheet according to arrangements drawn up with the Ministry of Economy and Finance (MEF).

Specifically:

a) Italy's reserve tranche position, subscribed in gold, SDRs and national currency and amounting to €4,970 million at the end of 2023, represents the difference between Italy's participation quota in the IMF (€18,321 million, equal to SDR 15,070 million) and the IMF's holdings deposited in its account with the Bank (€13,351 million, equal to SDR 10,982 million) which are funded by the participation quota subscribed over time in national currency;

b) The contribution to the PRGT, amounting to €1,186 million (SDR 976 million), is used to grant long-term loans on favourable terms to countries facing structural difficulties in the balance of payments;

c) Loans to the IMF by the Bank of Italy on behalf of the Italian government under the New Arrangements to Borrow (NAB), amounting to €17 million (SDR 14 million), are used to strengthen the IMF's lending capacity to prevent and mitigate crises;

<sup>27</sup> The 2023 Budget Law authorized the Bank of Italy to make available to the IMF up to SDR 1.89 billion to grant loans at market rates under the RST.

d) The contribution to the RST, amounting to €420 million (SDR 346 million), helps to finance medium and long-term investments to mitigate climate and pandemic risks;

e) Italy's SDR holdings have been allocated by the IMF in proportion to the country's participation quota since 1969. The most recent assignment made in 2021 (SDR 14,444 million) brought Italy's total holdings to SDR 21,020 million. Net of withdrawals and new purchases, its holdings at the end of 2023 amounted to SDR 21,632 million, equal to €26,298 million. The amount assigned is recorded as a liability vis-à-vis the IMF under the item *Counterpart of SDRs allocated by the IMF* (Item 8), totalling €25,554 million at the end of the year.

The portfolio of securities denominated in foreign currency and classified as not held to maturity increased from €34,578 million to €38,850 million as a result of the increase in holdings (Table 7). The portfolio consists almost entirely of bonds and certificates of deposit issued by foreign government bodies and international organizations. Of the total portfolio, 77 per cent is denominated in US dollar, 8 per cent in Japanese yen, 5 per cent in each of Australian dollar and British pound, 4 per cent in Canadian dollar, and 1 per cent in Chinese renminbi.

Table 7

<b>Movements in securities denominated in foreign currency</b> (millions of euros)				
	Non-euro-area residents (1)		Euro-area residents (2)	Total
	Bonds	Units of UCIs	Bonds	
<b>Opening balance</b>	<b>34,318</b>	<b>191</b>	<b>69</b>	<b>34,578</b>
<b>Increases</b>	<b>60,644</b>	<b>11</b>	<b>295</b>	<b>60,950</b>
Purchases (3)	59,636	2	258	59,896
Net price revaluation (4)	99	9	6	114
Net exchange rate revaluation (4)	–	–	29	29
Premiums and discounts	909	–	2	911
<b>Decreases</b>	<b>-56,665</b>	<b>-10</b>	<b>-3</b>	<b>-56,678</b>
Sales and redemptions (3)	-55,310	–	-3	-55,313
Net losses	-55	–	–	-55
Net exchange rate revaluation (4)	-1,208	-5	–	-1,213
Write-downs due to price changes (5)	-89	–	–	-89
Write-downs due to exchange rate changes (5)	-3	-5	–	-8
<b>Closing balance</b>	<b>38,297</b>	<b>192</b>	<b>361</b>	<b>38,850</b>

(1) Sub-item 2.2. – (2) Sub-items 3.1.1 and 3.2. – (3) Includes the adjustments to the average cost of currency. – (4) Increase/ decrease in revaluation accounts. – (5) Recognized 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 US dollar, Japanese yen and British pound, consist of current

accounts (€3,713 million), reverse operations (€1,799 million), fixed-term deposits (€1,396 million) and foreign banknotes (€4 million).

Among the other liabilities denominated in foreign currency, mainly in US dollar, the most important are the general government holdings (€643 million, Sub-item 6.2) for the management of foreign currency cross-border payments and receipts.

## [2] Monetary policy operations

Table 8 shows the amounts at the end of the year and the average for the year regarding monetary policy operations.

**Table 8**

<b>Monetary policy operations</b> (millions of euros)						
	Balances			Averages		
	31.12.2023	31.12.2022	Change	2023	2022	Change
<b>Lending to euro-area credit institutions (Item 5) (1)</b>						
5.1 Main refinancing operations	9,496	712	8,784	3,011	173	2,838
5.2 Longer-term refinancing operations	140,305	355,739	-215,434	243,164	438,621	-195,457
5.3 Fine-tuning reverse operations	-	-	-	-	-	-
5.4 Structural reverse operations	-	-	-	-	-	-
5.5 Marginal lending facility	-	-	-	1	1	-
5.6 Credits related to margin calls	-	-	-	-	-	-
<b>Total</b>	<b>149,801</b>	<b>356,451</b>	<b>-206,650</b>	<b>246,176</b>	<b>438,795</b>	<b>-192,619</b>
<b>Securities held for monetary policy purposes (Sub-item 7.1)</b>	<b>656,798</b>	<b>696,150</b>	<b>-39,352</b>	<b>683,038</b>	<b>694,304</b>	<b>-11,266</b>
<b>Liabilities to euro-area credit institutions (Item 2)</b>						
2.1 Current accounts (covering the minimum reserve system)	20,344	22,428	-2,084	19,417	228,351	-208,934
2.2 Deposit facility	168,359	222,574	-54,215	227,268	150,273	76,995
2.3 Fixed-term deposits	-	-	-	-	-	-
2.4 Fine-tuning reverse operations	-	-	-	-	-	-
2.5 Deposits related to margin calls	-	-	-	-	-	-
<b>Total</b>	<b>188,703</b>	<b>245,002</b>	<b>-56,299</b>	<b>246,685</b>	<b>378,624</b>	<b>-131,939</b>

(1) At 31 December 2023, the collateral for lending to euro-area credit institutions, deposited with the Bank, amounted to €267 billion (€433 billion at the end of 2022).

*Lending to euro-area credit institutions* (Item 5), which decreased both in terms of amount at year-end and average for the year, is almost entirely represented by the third series of targeted longer-term refinancing operations (TLTRO III). At the end of the year, TLTRO III operations amounted to €137,393 million, down by €216,915 million as a result of the repayments of the amounts allotted in previous years.<sup>28</sup> The remaining part of the balance of the longer-term refinancing operations is represented by those with a three-month maturity, amounting to €2,912 million.

<sup>28</sup> Of these, €47,762 million were voluntary early repayments.

Main refinancing operations instead increased both in terms of average holding and year-end value. At the end of 2023, the share of total euro-area refinancing provided to Italian credit institutions was equal to 37 per cent (27 per cent at the end of 2022), compared with a capital key of 16.85 per cent.

With regard to *Liabilities to euro-area credit institutions* (Item 2), accounts held by banks, including deposits made in accordance with the minimum reserve requirements, decreased both in terms of the year-end balance (from €245,002 million to €188,703 million) and of the annual average amount (from €378,624 million to €246,685 million), partly as a result of TLTRO III repayments. In 2023, the Bank did not make any fixed-term deposits or activate any fine-tuning reverse operations.

The year-end amount of *Securities held for monetary policy purposes* (Sub-item 7.1) decreased from €696,150 million to €656,798 million; the average amount also decreased compared with the previous year, albeit to a lesser extent than the year-end balance. The lower amounts of securities held for monetary policy purposes reflect the decisions of the ECB Governing Council on reinvestments under the APP which, after being gradually reduced in the first half of the year, ended in July 2023. Instead, the full reinvestment of the principal payments from maturing securities under the PEPP continued throughout 2023. Table 9 shows the breakdown of the movements in *Securities held for monetary policy purposes* (Sub-item 7.1).

Table 9

Movements in securities held for monetary policy purposes (Sub-item 7.1)								
<i>(millions of euros)</i>								
	Bonds							Total
	SMP	CBPP3	PSPP	CSPP	PEPP covered bonds	PEPP government bonds	PEPP corporate bonds	
<b>Opening balance</b>	<b>478</b>	<b>32,124</b>	<b>378,947</b>	<b>28,751</b>	<b>261</b>	<b>252,930</b>	<b>2,659</b>	<b>696,150</b>
<b>Increases</b>	<b>7</b>	<b>427</b>	<b>13,618</b>	<b>748</b>	<b>5</b>	<b>25,835</b>	<b>213</b>	<b>40,853</b>
Purchases	–	427	13,618	748	5	25,835	213	40,846
Net premiums and discounts	7	–	–	–	–	–	–	7
<b>Decreases</b>	<b>-25</b>	<b>-6,071</b>	<b>-42,324</b>	<b>-2,665</b>	<b>-33</b>	<b>-29,012</b>	<b>-75</b>	<b>-80,205</b>
Sales and redemptions	-25	-5,939	-41,422	-2,530	-31	-26,928	-65	-76,940
Net losses	–	–	–	-1	–	–	–	-1
Net premiums and discounts	–	-132	-902	-134	-2	-2,084	-10	-3,264
<b>Closing balance</b>	<b>460</b>	<b>26,480</b>	<b>350,241</b>	<b>26,834</b>	<b>233</b>	<b>249,753</b>	<b>2,797</b>	<b>656,798</b>

At the end of the year, the market value of the securities held for monetary policy purposes amounted to €609,140 million (Table 10). The difference with the book value, which was negative by €47,658 million (-7 per cent), is mainly attributable to PSPP and PEPP public sector securities and has declined considerably since the

end of 2022 when it was -€84,801 million (-12 per cent compared with the book value).

Table 10

<b>Comparison with market value of securities held for monetary policy purposes (Sub-item 7.1)</b> (millions of euros)						
	31.12.2023		31.12.2022		Change	
	Amortized cost	Market value	Amortized cost	Market value	Amortized cost	Market value
SMP	460	486	478	514	-18	-28
CBPP3	26,480	24,849	32,124	29,549	-5,644	-4,700
PSPP	350,241	328,899	378,947	338,382	-28,706	-9,483
CSPP	26,834	24,950	28,751	25,368	-1,917	-418
PEPP covered bonds	233	204	261	221	-28	-17
PEPP government bonds	249,753	227,203	252,930	215,078	-3,177	12,125
PEPP corporate bonds	2,797	2,549	2,659	2,237	138	312
<b>Total</b>	<b>656,798</b>	<b>609,140</b>	<b>696,150</b>	<b>611,349</b>	<b>-39,352</b>	<b>-2,209</b>

Tables 11 provides a breakdown by residual maturity of the securities held by the Bank of Italy for monetary policy purposes.

Table 11

<b>Residual maturity of securities held for monetary policy purposes</b> (millions of euros)							
	0-1 year	1-2 years	2-5 years	5-10 years	10-20 years	More than 20 years	Total
SMP	210	100	150	-	-	-	460
CBPP3	4,975	7,335	9,337	3,642	736	455	26,480
PSPP	46,690	41,443	87,104	89,598	53,420	31,986	350,241
CSPP	4,091	3,924	10,724	6,503	1,592	-	26,834
PEPP covered bonds	25	21	122	32	-	33	233
PEPP government bonds	29,627	25,599	66,110	69,287	34,869	24,261	249,753
PEPP corporate bonds	195	286	848	1,281	187	-	2,797
<b>Total</b>	<b>85,813</b>	<b>78,708</b>	<b>174,395</b>	<b>170,343</b>	<b>90,804</b>	<b>56,735</b>	<b>656,798</b>

In accordance with the ECB Governing Council's decisions, all securities purchased under the existing monetary policy programmes are valued at amortized cost subject to impairment in accordance with Eurosystem criteria. If indicators of impairment are observed, further analysis is carried out to identify any impact on the expected cash flows of the related securities.

Based on the year-end impairment test conducted at Eurosystem level, the ECB Governing Council has deemed it appropriate to establish a provision of €43 million to cover credit risks on one corporate security held under the PEPP that is considered impaired. As a result, the Bank has recorded in its annual accounts its share of the provision, which amounts to €7 million (see *General risk provision and other provisions*).



### [3] Other claims on euro-area credit institutions

Item 6 on the asset side, amounting to €130 million (€363 million in 2022), mainly includes current accounts in connection with the management of cross-border euro payments and receipts for government bodies.

### [4] Securities portfolio

Table 12

<b>Securities portfolio</b> (millions of euros)			
	31.12.2023	31.12.2022	Change
<b>A. SECURITIES DENOMINATED IN EURO</b> (Sub-items 4.2 and 7.2 and Item 8)			
<b>1. Securities held to maturity</b>	<b>74,694</b>	<b>75,432</b>	<b>-738</b>
a) Government bonds and other public sector securities (Sub-item 7.2)	60,265	60,907	-642
b) Other bonds (Sub-items 4.2 and 7.2)	1,270	1,236	34
c) Government securities assigned to the Bank of Italy (Item 8)	13,159	13,289	-130
<b>2. Securities other than those held to maturity</b>	<b>4,703</b>	<b>4,529</b>	<b>174</b>
a) Government bonds and other public sector securities (Sub-item 7.2)	3,674	3,543	131
b) Other bonds (Sub-items 4.2 and 7.2)	1,029	986	43
<b>Total A</b>	<b>79,397</b>	<b>79,961</b>	<b>-564</b>
<b>B. SECURITIES DENOMINATED IN EURO AND IN FOREIGN CURRENCY RELATED TO THE INVESTMENT OF RESERVES AND PROVISIONS</b> (Sub-item 11.2)			
<b>1. Securities held to maturity and other permanent investments</b>	<b>46,967</b>	<b>46,891</b>	<b>76</b>
a) Government bonds and other public sector securities	45,844	45,785	59
b) Other bonds	417	421	-4
c) Shares and participating interests	653	660	-7
- in subsidiary companies and entities	587	594	-7
- in other companies and entities	11	11	-
- in other companies and entities denominated in foreign currency	55	55	-
d) ETFs and shares/units of UCIs	53	25	28
<b>2. Securities other than those held to maturity and other permanent investments</b>	<b>20,482</b>	<b>16,560</b>	<b>3,922</b>
a) Shares and participating interests	17,258	14,193	3,065
- in other companies and entities	17,258	14,193	3,065
b) ETFs and shares/units of UCIs	3,224	2,367	857
of which: denominated in foreign currency	3,224	2,367	857
<b>Total B</b>	<b>67,449</b>	<b>63,451</b>	<b>3,998</b>
<b>Total (A+B)</b>	<b>146,846</b>	<b>143,412</b>	<b>3,434</b>

Securities denominated in euro (Total A of Tables 12 and 13) consist exclusively of bonds shown as:

- Sub-item 4.2 (*Claims on non-euro-area residents – Securities*), which consists mostly of bonds issued by international organizations;

- Sub-item 7.2 (*Euro-denominated securities issued by euro-area residents – Other securities*), which consists mainly of bonds issued by the Italian government and by other Member States and public institutions of the euro area;
- Item 8 (*Euro-denominated general government debt*), which contains the Italian government securities assigned to the Bank following the bond conversion under Law 289/2002 and those arising from the termination of the management of mandatory stockpiling.

**Table 13**

<b>A. Movements in securities denominated in euro</b> (millions of euros)						
	Bonds					Total
	Held to maturity			Other than those held to maturity		
	Sub-item 4.2	Sub-item 7.2	Item 8	Sub-item 4.2	Sub-item 7.2	
<b>Opening balance</b>	<b>1,236</b>	<b>60,907</b>	<b>13,289</b>	<b>677</b>	<b>3,852</b>	<b>79,961</b>
<b>Increases</b>	<b>35</b>	<b>11,121</b>	<b>–</b>	<b>121</b>	<b>969</b>	<b>12,246</b>
Purchases	35	11,121	–	98	685	11,939
Transfers	–	–	–	–	142	142
Net revaluations (1)	–	–	–	9	117	126
Net premiums and discounts	–	–	–	14	25	39
<b>Decreases</b>	<b>-1</b>	<b>-11,763</b>	<b>-130</b>	<b>-167</b>	<b>-749</b>	<b>-12,810</b>
Sales and redemptions	–	-10,932	-50	-158	-747	-11,887
Transfers	–	-617	–	-8	–	-625
Net losses	–	-4	–	–	-2	-6
Net premiums and discounts	-1	-210	-80	–	–	-291
Write-downs (2)	–	–	–	-1	–	-1
<b>Closing balance</b>	<b>1,270</b>	<b>60,265</b>	<b>13,159</b>	<b>631</b>	<b>4,072</b>	<b>79,397</b>

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

Securities related to the investment of reserves and provisions (Total B of Tables 12 and 14) are denominated in euro and in foreign currency (mainly US dollars). The Bank's foreign currency investments related to reserves and provisions constitute a separate foreign currency position with respect to the other foreign currency assets and liabilities (see *Gold, assets and liabilities denominated in foreign currency*). At year-end, 69 per cent of the portfolio consisted of bonds, mostly government securities, and 31 per cent of equity shares, participating interests, ETFs and shares/units of UCIs. The majority of issuers of the securities were residents of euro-area countries; almost all of the investments in equity instruments were listed securities.

The bond portfolio consists almost entirely (96 per cent) of securities held to maturity and is therefore valued at amortized cost subject to impairment. The annual impairment tests conducted on these securities applying the same criteria defined at Eurosystem level for securities held for monetary policy purposes did not show evidence of any losses.

If the financial instruments classified as held to maturity were also valued at market prices, the total value of the portfolio (€143,498 million) would be €3,348 million

Table 14

<b>B. Movements in securities related to the investment of reserves and provisions</b>						
<b>(Sub-item 11.2)</b>						
<i>(millions of euros)</i>						
	Bonds (1)	Equity shares and other participating interests		ETFs and shares/units of UCIs		Total
		Permanent	Other than permanent	Permanent	Other than permanent	
<b>Opening balance</b>	<b>46,206</b>	<b>660</b>	<b>14,193</b>	<b>25</b>	<b>2,367</b>	<b>63,451</b>
<b>Increases</b>	<b>7,044</b>	<b>1</b>	<b>3,946</b>	<b>28</b>	<b>1,900</b>	<b>12,919</b>
Purchases (2)	6,561	1	1,252	28	1,245	9,087
Transfers	483	–	–	–	–	483
Net gains	–	–	188	–	165	353
Net price revaluation (3)	–	–	2,506	–	490	2,996
<b>Decreases</b>	<b>-6,989</b>	<b>-8</b>	<b>-881</b>	<b>–</b>	<b>-1,043</b>	<b>-8,921</b>
Sales and redemptions (2)	-6,650	–	-677	–	-450	-7,777
Other movements (4)	–	-7	–	–	–	-7
Net losses	-14	–	–	–	–	-14
Net premiums and discounts	-325	–	–	–	–	-325
Write-downs due to price changes (5)	–	-1	-204	–	–	-205
Exchange rate adjustments (6)	–	–	–	–	-593	-593
<b>Closing balance</b>	<b>46,261</b>	<b>653</b>	<b>17,258</b>	<b>53</b>	<b>3,224</b>	<b>67,449</b>

(1) Entirely classified as held to maturity. – (2) Includes the adjustments to the average cost of currency. – (3) Increase/decrease in revaluation accounts. – (4) Increase in tangible fixed assets in relation to the acquisition of Italtec 90 srl property. – (5) Recognized in the profit and loss account. Write-downs on permanent investments refer to the impairment loss recognized on a single equity security. – (6) Unrealized gains and losses that are reported, net of the valuation of the corresponding hedges of exchange rate risk, respectively in the revaluation accounts and among write-downs in the profit and loss account.

lower than the book value. The securities held to maturity, whose book value (€74,796 million) was higher than the market value at year-end (€68,243 million), were mainly government securities.

The equity shares portfolio includes participating interests in subsidiary and associate companies (Table 15; see ‘Disclosure of relations with subsidiary and associate companies’). The Bank of Italy is the sole shareholder of SIDIEF. The Bank’s annual accounts are not consolidated with those of this company, as the Bank is not among the entities listed in Article 25 of Legislative Decree 127/1991. Moreover, consolidation would be immaterial for the purpose of providing a true and fair view of the Bank’s balance sheet, financial position and profit and loss account. Similarly, at the end of the financial year, the Bank of Italy was the sole shareholder of Italtec 90 srl, which went into liquidation on 11 July 2023; before the end of the year, the Bank acquired the company’s land where it will build its new data centre.

The Bank of Italy also holds:

- a 0.50 per cent participating interest in Europafi. Based on shareholders’ agreements, the Bank of Italy, together with other Eurosystem NCBs, exercises control according to the criteria of in-house providing set out in Directive 2014/24/EU.
- an 18.26 per cent participating interest in Valoricarta. The governance of this company is regulated by a shareholders’ agreement signed with Istituto Poligrafico

e Zecca dello Stato, the holder of the rest of the capital. In this case as well, the Bank of Italy exercises control according to the criteria of in-house providing.

The other participating interests held as permanent investments include shares of the Bank for International Settlements (BIS), which are denominated in SDRs, valued at cost and translated at historic exchange rates. The Bank's stake is equal to 9.3 per cent of BIS's capital.

Table 15

Participating interests in subsidiary and associate companies					
	At end-2023			Subsidiary or associate company data for 2022 (millions of euros)	
	Number of shares held	% of capital held	Book value (millions of euros)	Net equity (1)	Profit/Loss
<b>Società Italiana di Iniziative Edilizie e Fondiarie SpA - Rome</b> (Capital of €567,000,000 represented by 567,000 shares with a par value of €1,000 each)	567,000	100	586.8	640.9	4.0
<b>Europafi Sas - Longues, Vic-le-Comte, France</b> (Capital of €133,000,000 represented by 1,330,000 shares with a par value of €100 each)	6,650	0.5	0.7	151.2	-2.3
<b>Valoridicarta SpA - Rome</b> (Capital of €43,800,000 represented by 43,800,000 shares with a par value of €1 each)	8,000,000	18.26	8.0	41.8	-1.7
<b>Italtec 90 Srl - Rome</b> (Capital of €2,860,000) (2)	2,860,000	100	–	3.8	-0.1

(1) Includes the profit or loss for the year. – (2) Share of the capital in euro.

## [5] Intra-Eurosystem claims and liabilities

Table 16 sets out in detail the Bank's claims and liabilities with respect to the Eurosystem and the changes that occurred during the year. On the asset side:

- the value of the *Participating interest in the ECB*<sup>29</sup> remained unchanged at €1,510 million; similarly, *Claims arising from the transfer of foreign reserves to the ECB*<sup>30</sup> did not change.

<sup>29</sup> 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 the composition of the ESCB changes. In 2023, the Bank of Italy's share in the ECB's capital amounted to 13.8165 per cent of the subscribed capital. Considering only the NCBs belonging to the Eurosystem, the Bank's share amounted to 16.8518 per cent, lower than its 2022 share of 16.9885, owing to Croatia's accession to the euro area.

<sup>30</sup> *Claims arising from the transfer of foreign reserves to the ECB* represent the interest-earning claim denominated in euro recorded at the start of the third stage of the EMU following the transfer of gold, foreign securities and foreign currencies, as in the case of the other Eurosystem NCBs. Pursuant to Article 30.2 of the Statute of the ESCB, the contributions of each NCB in the form of transfers of foreign reserve assets to the ECB shall be fixed in proportion to its share in the subscribed capital of the ECB.

Table 16

Positions with the ECB and the other euro-area NCBs (millions of euros)			
	31.12.2023	31.12.2022	Change
<b>Assets</b>			
9.1 Participating interest in the ECB	1,510	1,510	–
9.2 Claims arising from the transfer of foreign reserves to the ECB	6,854	6,854	–
9.3 Net claims related to the allocation of euro banknotes within the Eurosystem	45,283	47,926	-2,643
9.4 Other claims within the Eurosystem (net)	–	–	–
<b>Total</b>	<b>53,647</b>	<b>56,290</b>	<b>-2,643</b>
<b>Liabilities</b>			
9.1 Liabilities related to the issuance of ECB debt certificates	–	–	–
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem	–	–	–
9.3 Other liabilities within the Eurosystem (net)	522,001	681,925	-159,924
<b>Total</b>	<b>522,001</b>	<b>681,925</b>	<b>-159,924</b>

On the liability side:

- *Other liabilities within the Eurosystem (net)* amounted to €522,001 million (compared with €681,925 in 2022) and represent the Bank's net position vis-à-vis the Eurosystem, mainly deriving from the operation of the TARGET payment system. In particular, at the end of 2023 the latter gave rise to a liability position of €520,875 million (€684,311 million in 2022). A debt of €1,132 million (compared with a claim of €2,380 million in 2022) deriving from the net result of pooling of monetary income for the year (see 'Notes on the items of the profit and loss account' – *Net result of pooling of monetary income*) contributed to the increase in the overall debtor position. This sub-item includes a decrease for a €6 million claim (the same amount in 2022) for managing loans from the European Commission under its instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE).

## [6] Other assets

The item *Other assets* contains all the assets that cannot be classified under any of the preceding items (Table 17). This item consists mostly of securities related to the investment of reserves and provisions (see *Securities portfolio*).

The composition and movements of *Intangible fixed assets* (Sub-item 11.3) during the year are shown in Table 18. The same information for *Tangible fixed assets* (Sub-item 11.4) is given in Table 19 and Table 20. The estimated year-end market value of the Bank's property is €1,975 million (€1,835 million at the end of 2022).

Table 17

<b>Other assets (Item 11)</b> (millions of euros)			
	31.12.2023	31.12.2022	Change
11.1 Euro-area coins	76	77	-1
11.2 Financial assets related to the investment of reserves and provisions (1)	67,449	63,451	3,998
11.3 Intangible fixed assets	66	61	5
11.4 Tangible fixed assets	1,582	1,650	-68
11.5 Accruals and prepaid expenses	9,365	5,801	3,564
11.6 Deferred tax assets	2,719	355	2,364
11.7 Sundry	6,470	3,547	2,923
Other investments for staff severance pay and pensions	67	69	-2
Supplementary pension fund	999	835	164
Other components	5,404	2,643	2,761
<b>Total</b>	<b>87,727</b>	<b>74,942</b>	<b>12,785</b>

(1) The balance at 31 December 2023 is composed entirely of securities.

Table 18

<b>Movements in intangible fixed assets (Sub-item 11.3)</b> (millions of euros)				
	Procedures (1)	Multi-year software licence fees	Assets under development (1) and related advances	Total
<b>Opening balance</b>	<b>35</b>	<b>4</b>	<b>22</b>	<b>61</b>
<b>Increases</b>	<b>17</b>	<b>11</b>	<b>12</b>	<b>40</b>
Purchases and improvement costs	–	11	12	23
Transfers	17	–	–	17
<b>Decreases</b>	<b>-12</b>	<b>-6</b>	<b>-17</b>	<b>-35</b>
Amortization	-12	-6	–	-18
Transfers	–	–	-17	-17
<b>Closing balance</b>	<b>40</b>	<b>9</b>	<b>17</b>	<b>66</b>

(1) Relating to procedures developed as part of the Eurosystem's IT projects.

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

The increase in accrued income is mainly attributable to the recognition of interest earned on refinancing operations – almost entirely TLTRO III – as a result of the rise in the average rates of remuneration, which became positive in the year (see the box ‘The interest rate applied to TLTRO III’).

The composition of *Deferred tax assets* (Sub-item 11.6) is detailed in Table 22.

Table 19

Movements in tangible assets (properties)							
<i>(millions of euros)</i>							
	Premises		Investment property for allocations to severance and pension provision (1)		Other property (1)		Total
	Buildings	Land (2)	Buildings	Land	Buildings	Land	
<b>Opening balance (gross)</b>	<b>2,764</b>	<b>902</b>	<b>4</b>	<b>1</b>	<b>320</b>	<b>48</b>	<b>4,039</b>
Accumulated depreciation	-2,327	–	-2	–	-245	–	-2,574
<b>Opening balance (net)</b>	<b>437</b>	<b>902</b>	<b>2</b>	<b>1</b>	<b>75</b>	<b>48</b>	<b>1,465</b>
<b>Increases</b>	<b>5</b>	<b>8</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13</b>
Transfers (cost)	5	8	–	–	–	–	13
<b>Decreases</b>	<b>-74</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>-8</b>	<b>-2</b>	<b>-84</b>
Sales and/or disposals (cost)	–	–	–	–	-17	-2	-19
Sales and/or disposals (accumulated depreciation)	–	–	–	–	13	–	13
Depreciation	-74	–	–	–	–	–	-74
Other changes (cost)	–	–	–	–	-4	–	-4
Other changes (accumulated depreciation)	–	–	–	–	–	–	–
<b>Closing balance (gross)</b>	<b>2,769</b>	<b>910</b>	<b>4</b>	<b>1</b>	<b>299</b>	<b>46</b>	<b>4,029</b>
Accumulated depreciation	-2,401	–	-2	–	-232	–	-2,635
<b>Closing balance (net)</b>	<b>368</b>	<b>910</b>	<b>2</b>	<b>1</b>	<b>67</b>	<b>46</b>	<b>1,394</b>

(1) Buildings/land for sale and/or no longer in use or usable for the Bank's activities. – (2) Land, including that on which buildings stand, is not depreciated.

Table 20

Movements in tangible fixed assets (other)					
<i>(millions of euros)</i>					
	Equipment, furniture & furnishings	Plant	Artwork, coins and collections	Assets under development and related advances	Total
	<b>Opening balance (gross)</b>	<b>209</b>	<b>675</b>	<b>24</b>	
Accumulated depreciation	-173	-557	–	–	-730
<b>Opening balance (net)</b>	<b>36</b>	<b>118</b>	<b>24</b>	<b>7</b>	<b>185</b>
<b>Increases</b>	<b>10</b>	<b>15</b>	<b>1</b>	<b>27</b>	<b>53</b>
Purchases and improvement costs	10	15	1	20	46
Other movements (cost)	–	–	–	7	7
<b>Decreases</b>	<b>-8</b>	<b>-29</b>	<b>–</b>	<b>-14</b>	<b>-51</b>
Sales and/or disposals (cost)	-2	-14	–	–	-16
Sales and/or disposals (accumulated depreciation)	–	10	–	–	10
Depreciation	-6	-25	–	–	-31
Other changes (cost)	–	–	–	-1	-1
Transfers (cost)	–	–	–	-13	-13
<b>Closing balance (gross)</b>	<b>217</b>	<b>676</b>	<b>25</b>	<b>20</b>	<b>939</b>
Accumulated depreciation	-179	-572	–	–	-751
<b>Closing balance (net)</b>	<b>38</b>	<b>104</b>	<b>25</b>	<b>20</b>	<b>188</b>



Table 21

<b>Accruals and prepaid expenses (Sub-item 11.5)</b> (millions of euros)			
	31.12.2023	31.12.2022	Change
<b>Accrued income</b>	<b>9,321</b>	<b>5,763</b>	<b>3,558</b>
Interest accrued on securities denominated in euro	5,566	5,469	97
Interest accrued on refinancing operations	3,341	–	3,341
Interest accrued on securities denominated in foreign currency	166	122	44
Interest accrued on other foreign currency assets	247	172	75
Other	1	–	1
<b>Prepaid expenses</b>	<b>44</b>	<b>38</b>	<b>6</b>
Administrative expenses	44	38	6
<b>Total</b>	<b>9,365</b>	<b>5,801</b>	<b>3,564</b>

Table 22

<b>Deferred tax assets</b> (millions of euros)								
	31.12.2023				31.12.2022			
	Temporary differences	IRES	IRAP	Total	Temporary differences	IRES	IRAP	Total
Financial loss for the year 2023	8,034	2,209	–	2,209	–	–	–	–
Undeducted allowance for corporate equity (ACE) for the year 2023	430	118	–	118	–	–	–	–
Staff costs accrued but not paid	97	27	5	32	95	26	5	31
Gap between the civil law value and the tax value of the equity shares portfolio (1)	1,290	355	–	355	1,177	324	–	324
Other	14	4	1	5	1	–	–	–
<b>Total</b>	<b>9,865</b>	<b>2,713</b>	<b>6</b>	<b>2,719</b>	<b>1,273</b>	<b>350</b>	<b>5</b>	<b>355</b>

(1) Temporary differences arise mainly from non-deductible civil law write-downs.

*Deferred tax assets* (sub-item 11.6) recorded at the end of 2023 mainly result from IRES tax losses for the financial year, which are carried forward in accordance with Article 84 of the Consolidated Income Tax Law (*Testo unico delle imposte sui redditi, TUIR*).<sup>31</sup>

The recognition in the balance sheet is based on the reasonable certainty, taking into account the Bank's income prospects, of generating positive taxable income that will result in the losses being fully recovered in future years.

<sup>31</sup> The tax loss carryforward scheme under Article 84 of the TUIR provides that losses may be deducted indefinitely from the income of subsequent tax periods for a maximum of 80 per cent of the taxable income of each tax period and in full, subject to tax capacity.

*Deferred tax assets* showed a net increase of €2,364 million due to:

- the carryforward of the IRES tax loss of €2,209 million to subsequent tax periods;
- the unused deduction in 2023 of the allowance for corporate equity (ACE) of €118 million;
- the €37 million increase in deferred tax assets resulting from other profit and loss components, mainly the greater gap between the civil law value and the tax value of the equity shares portfolio.

The movements in deferred tax assets during the year are shown in Table 44 of ‘Notes on the items of the profit and loss account’.

*Sundry* (Sub-item 11.7 of *Other assets*) includes the total assets (€999 million) of the defined-contribution supplementary pension fund for staff hired on or after 28 April 1993, which is matched on the liability side by an equal amount recorded in Sub-item 11.3 of *Other liabilities*. The fund constitutes a separate asset for administrative and accounting purposes pursuant to Article 2117 of the Italian Civil Code. The Bank manages its investments observing the reference benchmarks.

*Other components* include €3,887 million of reverse repo operations and margins paid to guarantee repo transactions carried out with financial institutions other than credit institutions, within the direct securities lending service (€2,081 million in 2022).

## [7] **Banknotes in circulation**

This item represents the Bank of Italy’s share of banknotes in circulation issued by the Eurosystem (see *Legal basis, method of preparation and structure of the annual accounts*). In 2023, it decreased by €2,726 million (from €245,701 to €242,975 million). The value of banknotes actually put into circulation by the Bank fell too, though to a much lesser extent, by €82 million (from €197,774 to €197,692 million).

Since the amount of banknotes issued by the Bank was lower than the notional amount assigned to it, the difference of €45,283 million is shown as an interest-earning claim on the Eurosystem under Sub-item 9.3 on the asset side, as *Net claims related to the allocation of euro banknotes within the Eurosystem*.

## [8] **Liabilities to other euro-area residents**

*Liabilities to other euro-area residents* (Table 23), which amounted to €57,397 million at the end of 2023 (€62,992 million in 2022), refer mainly to the Treasury payment account (€31,989 million) and other liabilities to counterparties that are not credit institutions (€25,271 million). This item also includes other liabilities

to general government (€137 million), which consisted almost exclusively of debt positions with general government in respect of advances received for the management of collections and cross-border euro payments.

**Table 23**

<b>Liabilities to other euro-area residents (Item 4)</b> <i>(millions of euros)</i>			
	31.12.2023	31.12.2022	Change
4.1 General government	32,126	29,997	2,129
4.1.1 Treasury payment account	31,989	29,866	2,123
4.1.2 Other liabilities	137	131	6
4.2 Other counterparties	25,271	32,995	-7,724
<b>Total</b>	<b>57,397</b>	<b>62,992</b>	<b>-5,595</b>

Compared with 2022, the Treasury payment account increased in the year-end balance, but declined significantly in the annual average balance (from €51,765 to €13,719 million). This fall was due to a more dynamic liquidity management by the Treasury, partly as a result of its increased use of lending operations through repos backed by government securities and non-collateralized deposit operations through bilateral negotiations.

Liabilities to counterparties other than credit institutions include repo transactions connected with the direct securities lending service for an amount equal to €6,974 million (€15,605 million at the end of 2022). This sub-item includes deposits mainly held by clearing houses and those of the National Resolution Fund (NRF), set up by the Bank of Italy in its capacity as national resolution authority.

## GOVERNMENT DEPOSITS

Government deposits held with the central banks of the Eurosystem are regulated by Decisions ECB/2014/8 and ECB/2019/7, as amended. Specifically, overnight and fixed-term government deposits are remunerated entirely at an interest rate respectively not higher than the Euro Short-Term Rate (€STR) and the STOXX EUR GC Pooling term index with a comparable maturity, both minus 20 basis points.

Between 14 September 2022 and 30 April 2023, in accordance with Decision ECB/2022/30, a remuneration rate equal to the lower of the deposit facility rate and the €STR was temporarily applied, removing the previous cap, equal to zero per cent, applicable in an environment of positive rates on holdings above a predetermined threshold. This decision aimed to promote a smooth and gradual reduction of government deposits, thereby minimizing the risk of adverse effects on the functioning of the repo market and ensuring the smooth transmission of monetary policy.

## [9] Liabilities to non-euro area residents

Sub-item 5.2 (*Other liabilities*) amounts to €7,108 million (€6,868 in 2022) and includes €687 million in accounts held by customers using the Eurosystem Reserves Management Services (ERMS)<sup>32</sup> and €6,421 million in other deposits by non-euro area institutional customers on behalf of which the Bank provides investment services.

## [10] Other liabilities

The composition of this item is shown in Table 24. *Accruals and income collected in advance* (Sub-item 11.2) are detailed in Table 25.

Table 24

<b>Other liabilities (Item 11)</b> (millions of euros)			
	31.12.2023	31.12.2022	Change
11.1 Cashier's cheques	40	50	-10
11.2 Accruals and income collected in advance	260	5,525	-5,265
11.3 Sundry	4,693	3,796	897
Supplementary pension fund	999	835	164
Special item for stabilizing dividends	280	240	40
Other components	3,414	2,721	693
<b>Total</b>	<b>4,993</b>	<b>9,371</b>	<b>-4,378</b>

The decrease in accrued expenses is due to the change in the sign of those relating to refinancing operations – mainly TLTRO III – as a result of the increase in the average remuneration rates, which became positive during the year (see the box ‘The interest rate applied to TLTRO III’).

Table 25

<b>Accruals and income collected in advance (Sub-item 11.2)</b> (millions of euros)			
	31.12.2023	31.12.2022	Change
<b>Accrued expenses</b>	<b>260</b>	<b>5,525</b>	<b>-5,265</b>
Interest accrued on refinancing operations	–	5,351	-5,351
Interest accrued on monetary policy deposits	56	39	17
Interest accrued on liabilities denominated in foreign currency	180	126	54
Other	24	9	15
<b>Income collected in advance</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>260</b>	<b>5,525</b>	<b>-5,265</b>

In *Other liabilities*, under sub-item *Sundry*, the entry *Other components* increased due to the recognition of debt for interest expense on TARGET balances accrued at

<sup>32</sup> Eurosystem NCBs can offer ERMS to central banks and government bodies of non-euro countries and to international organizations within a framework of harmonized terms and conditions.

year-end and to be settled in 2024. This sub-item also includes the special item for stabilizing dividends, which amounted to €280 million. The special item is made up of net profit allocations. The establishment of this item was decided by the Meeting of Shareholders on 31 March 2017 in order to smooth the implementation of the dividend policy.<sup>33</sup>

## [11] General risk provision and other provisions

The balances and movements of provisions are shown in Tables 26, 27 and 28.

Table 26

<b>Movements in provisions for specific risks (Sub-item 12.1)</b> (millions of euros)				
	Damage insurance provision	Tax provision (1)	Provision for Eurosystem monetary policy operations	Total
<b>Opening balance</b>	<b>310</b>	<b>161</b>	<b>–</b>	<b>471</b>
<b>Increases</b>	<b>–</b>	<b>11</b>	<b>7</b>	<b>18</b>
Allocations	–	–	7	7
Other increases	–	11	–	11
<b>Decreases</b>	<b>–</b>	<b>-2</b>	<b>–</b>	<b>-2</b>
Releases	–	–	–	–
Other decreases	–	-2	–	-2
<b>Closing balance</b>	<b>310</b>	<b>170</b>	<b>7</b>	<b>487</b>

(1) The tax provision includes liabilities for deferred IRES and IRAP taxes. *Other increases* and *Other decreases* include the change in deferred tax liabilities.

The increase in *Provisions for specific risks* (sub-item 12.1) is mainly due to risk provisioning for monetary policy operations against impairment losses recognized at Eurosystem level on one corporate security held under the PEPP (see *Monetary policy operations*). The total amount of this provision of €43 million was determined taking into account the latest information available at the time of the estimate. In accordance with Article 32.4 of the Statute of the ESCB, the provision was established by all euro-area NCBs in proportion to their respective contributions to the ECB's capital at the end of 2023. The amount contributed by the Bank of Italy was €7 million.

The *Other changes* item of the tax provision, which includes deferred tax liabilities, is reported in Table 27.

<sup>33</sup> In 2015, the Board of Directors indicated that, in subsequent years, it planned to keep the annual dividend between €340 million and €380 million, provided that the net profit is sufficient and without prejudice to the Bank's capital adequacy. On 31 March 2017, it was resolved that the special item may be credited annually with an amount equal to the difference between the upper bound of this range (€380 million) and the dividend actually paid.

Table 27

Deferred tax liabilities (millions of euros)								
	31.12.2023				31.12.2022			
	Temporary differences	IRES	IRAP	Total	Temporary differences	IRES	IRAP	Total
Realized gains on securities, property and other assets	–	–	–	–	1	–	–	–
Gap between the civil law value and the tax value of property (1)	508	139	28	167	479	132	26	158
Other	10	3	–	3	10	3	–	3
<b>Total</b>	<b>518</b>	<b>142</b>	<b>28</b>	<b>170</b>	<b>490</b>	<b>135</b>	<b>26</b>	<b>161</b>

(1) Net temporary differences with regard to all the Bank's property.

Table 28

Movements in staff-related provisions (Sub-item 12.2) (millions of euros)				
	For staff severance pay and pensions	Fund for staff costs	For severance pay (1)	Total
<b>Opening balance</b>	<b>6,691</b>	<b>226</b>	<b>2</b>	<b>6,919</b>
<b>Increases</b>	–	<b>114</b>	–	<b>114</b>
Allocations	–	114	–	114
<b>Decreases</b>	–	<b>-86</b>	–	<b>-86</b>
Releases	–	-86	–	-86
Other decreases	–	–	–	–
<b>Closing balance</b>	<b>6,691</b>	<b>254</b>	<b>2</b>	<b>6,947</b>

(1) Includes severance pay accrued by contract staff and ordinary staff prior to joining the supplementary pension fund.

The movements in deferred tax liabilities during the year are shown in Table 45 of 'Notes on the items of the profit and loss account'.

*Staff-related provisions* (Sub-item 12.2) amounted to €6,947 million. More specifically:

- the provision for severance pay and pensions remained unchanged and showed a small surplus of €56 million over total commitments for pensions and severance payments estimated at 31 December 2023. This surplus is prudentially left in this item;
- the provision for staff costs increased by €28 million, mainly due to some ancillary components of remuneration accrued during the financial year and still to be paid. This provision includes for €41 million (€35 million in 2022) charges for lump-sum disbursements to staff hired on or after 28 April 1993 who joined the defined-contribution supplementary pension fund, to be settled upon their leaving service.

The general risk provision covers the Bank's financial and operational risks, which include those relating to litigation. During the year it fell by €5,600 million to cover

the gross loss for the financial year (Table 29). Nevertheless, the level of risk coverage is still adequate given the expected reduction in the size of the balance sheet.

**Table 29**

<b>Movements in the general risk provision (Item 14)</b> (millions of euros)		
	31.12.2023	31.12.2022
<b>Opening balance</b>	<b>35,214</b>	<b>32,714</b>
<b>Increases</b>	–	<b>2,500</b>
Allocations	–	2,500
<b>Decreases</b>	<b>-5,600</b>	–
Releases	-5,600	–
<b>Closing balance</b>	<b>29,614</b>	<b>35,214</b>

## [12] Revaluation accounts

The item includes unrealized gains from the market price and market rate valuation of gold, foreign currency, securities and forward operations (see *Gold, assets and liabilities denominated in foreign currency* and *Securities portfolio*). Net revaluations relate mainly to the appreciation of gold and equity securities (Table 30).

**Table 30**

<b>Revaluation accounts (Item 13)</b> (millions of euros)			
	Opening balance	Net revaluations	Closing balance
<b>Exchange rate revaluations</b>	<b>121,537</b>	<b>10,571</b>	<b>132,108</b>
of which: gold	115,067	12,751	127,818
net foreign currency assets	6,432	-2,145	4,287
financial assets related to the investment of reserves and provisions (1)	38	-35	3
<b>Price revaluations</b>	<b>4,502</b>	<b>3,236</b>	<b>7,738</b>
of which: foreign currency securities	16	114	130
securities denominated in euro	54	126	180
financial assets related to the investment of reserves and provisions	4,432	2,996	7,428
<b>Total</b>	<b>126,039</b>	<b>13,807</b>	<b>139,846</b>

(1) Includes net revaluations related to operations to hedge exchange rate risks on foreign-currency investment.

## [13] Capital and reserves

The composition of this item is detailed in Table 31.

The Bank's Statute provides that shareholders' ownership rights be limited exclusively to the value of the capital and dividends; the latter cannot exceed 6 per cent



of capital in a given year. The equity reserves, regardless of their origin, may only be used to cover possible losses.

**Table 31**

<b>Capital and reserves (Item 15)</b> <i>(millions of euros)</i>			
	31.12.2023	31.12.2022	Change
<b>15.1 Capital</b>	<b>7,500</b>	<b>7,500</b>	–
<b>15.2 Statutory reserves</b>	<b>11,064</b>	<b>11,064</b>	–
Ordinary	6,469	6,469	–
Extraordinary	4,595	4,595	–
<b>15.3 Other reserves</b>	<b>7,740</b>	<b>7,740</b>	–
Monetary revaluation reserves (1)	3,813	3,813	–
Special fund for the renewal of tangible fixed assets	1,805	1,805	–
Surplus from the merger of UIC (Legislative Decree 231/2007)	2,122	2,122	–
<b>Total</b>	<b>26,304</b>	<b>26,304</b>	–

(1) Under Laws 72/1983, 408/1990, 413/1991, 342/2000 and 266/2005.

In 2023 there were no changes in the composition of the Bank of Italy's shareholders or transfers of shares between them. As at 31 December 2023, there were still 173 shareholders.<sup>34</sup> The composition of the holders and their capital shares are shown in Table 32.

**Table 32**

	<b>Shareholders in the Bank of Italy</b>					
	At the end of 2023			At the end of 2022		
	Number	Shares	% of capital held	Number	Shares	% of capital held
Banks	98	142,999	47.7	98	142,999	47.7
Social security institutions	14	96,000	32.0	14	96,000	32.0
Pension funds	9	17,640	5.9	9	17,640	5.9
Insurance companies	10	17,940	6.0	10	17,940	6.0
Banking foundations	42	25,421	8.4	42	25,421	8.4
<b>Total</b>	<b>173</b>	<b>300,000</b>	<b>100.0</b>	<b>173</b>	<b>300,000</b>	<b>100.0</b>

At the end of 2023, there were no shareholders with a total number of shares exceeding the statutory limit of 5 per cent (see 'The Bank's capital').

### *Commitments, collateral granted and other off-balance-sheet accounts*

Commitments and collateral granted by the Bank are reported in Table 33, which also shows the total third-party securities and valuables on deposit with the Bank

<sup>34</sup> They numbered 172 at 17 February 2024, the last date for acquiring shares with the right to dividends for 2023, due to an extraordinary corporate transaction.

Table 33

<b>Commitments and collateral granted</b> (millions of euros)			
	31.12.2023	31.12.2022	Change
<b>Orders in progress</b>	<b>494</b>	<b>1,735</b>	<b>-1,241</b>
Purchases	494	934	-440
Sales	–	801	-801
<b>Forward operations</b>	<b>4,446</b>	<b>4,655</b>	<b>-209</b>
Forward sales of foreign currencies	2,602	3,523	-921
Forward purchases of foreign currencies	1,070	1,121	-51
Futures contracts	774	11	763
<b>Commitments</b>	<b>35,037</b>	<b>32,928</b>	<b>2,109</b>
To the IMF for loans granted	34,789	32,752	2,037
Other	248	176	72
<b>Collateral granted</b>	<b>7,247</b>	<b>18,381</b>	<b>-11,134</b>
<b>Third-party securities and valuables on deposit with the Bank</b>	<b>94,310</b>	<b>57,444</b>	<b>36,866</b>
<b>Total balance sheet of the National Resolution Fund (1)</b>	<b>262</b>	<b>259</b>	<b>3</b>
<b>Commitments of the supplementary pension fund (2)</b>	<b>125</b>	<b>108</b>	<b>17</b>
<b>Total</b>	<b>141,921</b>	<b>115,510</b>	<b>26,411</b>

(1) Takes into account the latest available data. – (2) Foreign exchange and securities forward sales.

and the balance sheet total of the National Resolution Fund (NRF) set up within the Bank of Italy pursuant to Article 78 of Legislative Decree 180/2015 (see the box ‘The National Resolution Fund’).

Forward sales of foreign currency include exchange-rate risk-hedging operations on the Bank’s foreign currency investments related to reserves and provisions (see ‘Notes on the items of the balance sheet’ – *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. Other commitments mainly include the amounts to be paid for subscriptions of units of investment funds.

At the end of 2023, the market value of securities lent by the Bank under the automatic securities lending programmes managed by specialized intermediaries amounted to \$817 million for foreign currency securities, and €13,611 million for securities held for monetary policy purposes. The market value of the securities lent via the securities lending service provided directly by the Bank of Italy amounted to €6,934 million at the end of the year and referred only to securities held for monetary policy purposes.<sup>35</sup>

<sup>35</sup> Securities lending under monetary policy programmes decreased in 2023 compared with the previous year. The decrease was due to the improvement in repo market conditions, fostered by the reduction in purchases of securities by the Eurosystem and by TLTRO III repayments.

## THE NATIONAL RESOLUTION FUND

Legislative Decree 180/2015 transposing Directive 2014/59/EU (Bank Recovery and Resolution Directive) provides that one or more Italian resolution funds be set up to finance the resolution of credit institutions and investment firms in financial difficulty. These funds are financed mainly by contributions from financial intermediaries and provide the national resolution authority with the necessary financial resources to carry out resolutions. The Bank of Italy has been designated as national resolution authority. The Bank has accordingly established a Resolution and Crisis Management Unit that reports directly to the Governing Board. Its function is to draft and implement resolutions. On 18 November 2015, the Bank issued a measure creating the National Resolution Fund (NRF). The NRF has its own capital that is in all respects 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 its resources. To ensure the necessary transparency vis-à-vis the public, an annual report is issued on the NRF's activities, audited by the Board of Auditors and by same audit firm that audits the Bank's annual accounts and published by 30 April of the year following the reference year. The operating and administrative costs of the Unit are reported among those of the Bank, and so are the indirect costs for resolution activity. The NRF has separate fiscal personality for IRES and IRAP taxation purposes.

### *Notes on the items of the profit and loss account*

#### **[14] Net interest income**

In 2023, *net interest income*<sup>36</sup> was negative at -€5,675 million, down by €11,462 million compared with 2022 (when it was positive at €5,787 million). In particular, net interest income in euro fell by €12,850 million (from €5,108 to -€7,742 million), while net interest income in foreign currency rose by €1,388 million (from €679 to €2,067 million).

The reduction in this item was mainly due to the increase in interest expense on intra-Eurosystem balances in connection with TARGET operations and on bank deposits, as a result of higher policy rates, which was only partly offset by an increase in interest income on TLTRO III, monetary policy securities and foreign currency assets, as well as on intra-Eurosystem claims.

Specifically, interest income amounted to €27,479 million (Table 34), up by €14,488 million.

<sup>36</sup> *Net interest income* (Item 1) represents the balance of interest income and interest expense accrued in the year, excluding interest on financial assets related to the investment of reserves and provisions, which is shown under Item 6.

Table 34

<b>Interest income (Sub-item 1.1)</b> (millions of euros)			
	2023	2022	Change
Securities denominated in euro	14,401	11,092	3,309
<i>of which:</i> CBPP1, CBPP2 (1)	–	3	-3
SMP	33	49	-16
CBPP3	275	280	-5
PSPP	8,124	6,517	1,607
CSPP	363	329	34
PEPP corporate bonds	33	21	12
PEPP government bonds	3,224	1,746	1,478
Government bond conversion under Law 289/2002	713	713	–
Other bonds	1,636	1,434	202
Main refinancing operations	129	2	127
Longer-term refinancing operations	7,702	–	7,702
Intra-Eurosystem claims	2,107	336	1,771
Banks' current accounts (covering the minimum reserve system)	–	451	-451
Treasury payment account	–	40	-40
Other deposits in euro	–	27	-27
Other in euro	53	11	42
Securities denominated in foreign currency	1,484	514	970
Claims on the IMF	1,261	397	864
Other in foreign currency	342	121	221
<b>Total</b>	<b>27,479</b>	<b>12,991</b>	<b>14,488</b>

(1) The securities still held under CBPP1 and CBPP2 reached maturity in 2022.

Interest income on securities denominated in euro amounted to €14,401 million. Interest income on securities held for monetary policy purposes increased by €3,107 million to €12,052 million, as a result of the rise in the average yields, which was only partly offset by lower average holdings resulting from the gradual reduction and subsequent discontinuation of reinvestments of the principal payments from maturing securities under the APP.

In 2023, interest on longer-term refinancing operations – almost entirely on TLTRO III – was positive at €7,702 million reflecting the increase in remuneration rates indexed to the average of the key ECB interest rates (see the box 'The interest rate applied to TLTRO III'); last year they were shown under *Interest expense* (see Table 35).

Interest on the main refinancing operations increased from €2 million to €129 million, mainly on account of the higher average amount.

Intra-Eurosystem interest income also rose from €336 million to €2,107 million, due to the increase in interest on *net claims related to the allocation of euro banknotes within the Eurosystem*, from €302 to €1,877 million, and on *claims arising from the transfer of foreign reserves to the ECB*, from €34 million to €225

million (see 'Notes on the items of the balance sheet' – *Intra-Eurosystem claims and liabilities*).<sup>37</sup>

### THE INTEREST RATE APPLIED TO TLTRO III

The interest rate applied to the third series of targeted longer-term refinancing operations (TLTRO III) is set based on an incentive mechanism designed by the ECB Governing Council to preserve favourable liquidity conditions for the real economy.

Until 22 November 2022, the interest rate for each operation varied between the average MRO rate and the average deposit facility rate over the life of the single TLTRO III operation, with the exception of the special interest rate period (between 24 June 2020 and 23 June 2021) and the additional special interest rate period (between 24 June 2021 and 23 June 2022), in which an interest rate 50 basis points lower was applied. For banks that reached the lending threshold during these special periods, the interest rate could not in any case be higher than -1 per cent.

The effective interest rates were known only upon the maturity or early repayment of each operation. Prior to then, the estimate was reliable only if the data on the interest rates calculated based on the lending threshold during certain observation periods had already been communicated to the counterparties.

On 27 October 2022, the ECB Governing Council decided that, from 23 November 2022 to the maturity or early repayment of each outstanding TLTRO III operation, the interest rate would be indexed to the average of the key ECB policy rates applicable over this period.

Therefore, the average of the key policy rates applicable in the year was used for the calculation of the interest accrued in 2023.

Other interest denominated in euro, amounting to €53 million (€11 million in 2022), was mainly in the form of interest income on reverse repo operations in connection with direct securities lending.

Interest income on securities denominated in foreign currency rose significantly compared with the previous year (from €514 million to €1,484 million), mainly as a result of higher yield rates. For the same reason, there was an increase in interest income related to claims on the IMF (from €397 million to €1,261 million) and to other assets denominated in foreign currency (from €121 million to €342 million).

<sup>37</sup> Balances from the allocation of euro banknotes within the Eurosystem are remunerated at the marginal rate of interest on main refinancing operations (MROs). The remuneration on claims arising from the transfer of reserves to the ECB is also based on the marginal interest rate on MROs, minus 15 per cent to take account of the part of reserves consisting of gold, which does not generate interest.

Interest expense amounted to €33,154 million (Table 35), up by €25,950 million from 2022.

Interest expense on TARGET liabilities rose significantly compared with the previous year (from €3,922 million to €22,769 million) owing to the increase in the remuneration rate,<sup>38</sup> which was to a small extent offset by the reduction in the average balance.

**Table 35**

<b>Interest expense (Sub-item 1.2)</b> <i>(millions of euros)</i>			
	2023	2022	Change
Longer-term refinancing operations	–	2,040	-2,040
Banks' current accounts (covering the minimum reserve system)	408	–	408
Deposit facility	7,442	872	6,570
Treasury payment account	649	–	649
Other deposits in euro	778	15	763
Intra-Eurosystem liabilities	22,769	3,922	18,847
Other in euro	88	2	86
Counterpart of SDRs allocated by the IMF	990	325	665
Other in foreign currency	30	28	2
<b>Total</b>	<b>33,154</b>	<b>7,204</b>	<b>25,950</b>

Interest on banks' current account holdings recorded a negative balance of €408 million and relates entirely to reserve requirements (€113 million in 2022);<sup>39</sup> holdings of excess reserves on current accounts are not remunerated.<sup>40</sup> By contrast, the balance of interest on current account holdings was positive in 2022 (see Table 34).

Interest on banks' overnight deposits rose significantly (from €872 million to €7,442 million), owing to both an increase in the key ECB interest rate and the higher average amount recorded for the year.

<sup>38</sup> The TARGET balance is remunerated at the marginal rate of interest on MROs, with the exception of balances relating to the settlement of operations of liquidity provisioning in foreign currency offered by the ECB to euro-area counterparties, which are not remunerated.

<sup>39</sup> In 2023, the minimum reserve requirement was remunerated based on the average of the deposit facility rate. As of 20 September 2023, the ECB Governing Council decided to set its remuneration at 0 per cent to preserve the effectiveness of monetary policy and, at the same time, to improve its efficiency by reducing interest payments to banks.

<sup>40</sup> Deposits held in excess of reserve requirements are remunerated at the lower of the deposit facility rate (DFR) and zero. Therefore, since 14 September 2022, when the DFR returned to positive levels, banks have preferred to hold their liquidity in overnight deposits. In 2022, the Bank recognized net interest income on current account deposits amounting to €451 million, i.e. the difference between the amounts received on excess reserves (€564 million) and paid on the reserve requirement (€-113 million).

In 2023, the interest on the Treasury payment accounts was negative at -€649 million. This amount includes interest calculated on the holdings,<sup>41</sup> amounting to €418 million (see 'Notes on the items of the balance sheet' – *Liabilities to other euro-area residents* and the box 'Government deposits') and additional interest payable to the Treasury amounting to €231 million (€69 million in 2022).<sup>42</sup> In 2022, interest on Treasury holdings had a positive net balance and was therefore shown under interest income (see Table 34).

Interest on other deposits denominated in euro, which increased from €15 million to €778 million as a result of higher yields, consisted mainly of interest expense on deposits from euro-area counterparties other than credit institutions, ERMS customers and other non-euro-area institutional customers (see 'Notes on the items of the balance sheet' – *Liabilities to other euro-area residents* and *Liabilities to non-euro area residents*).

Other interest denominated in euro, amounting to €88 million (€2 million in 2022), was mainly in the form of interest expense on repo operations in connection with direct securities lending.

The rise in yield rates led to an increase in interest paid on SDR allocations by the IMF (from €325 to €990 million) and in interest on other liabilities denominated in foreign currency.

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

The net result of financial operations (Table 36), which was positive at €270 million (-€41 million in 2022), especially reflected lower losses on securities denominated in foreign currency and higher net exchange rate gains, especially in US dollar.

Write-downs on securities, mainly in US dollar and in euro, decreased significantly owing to the price increases recorded in 2023.

There was a release of €5,600 million from the general risk provision, versus an allocation of €2,500 million in 2022 (see 'Notes on the items of the balance sheet' – *General risk provision and other provisions*).

<sup>41</sup> Until 30 April 2023, the rate applied was equal to the €STR rate; after that date, the €STR rate minus 20 basis points was applied.

<sup>42</sup> Additional interest is paid to the Treasury under Presidential Decree 398/2003 (Consolidated law containing provisions and rules on the public debt). It is calculated on a daily basis as the difference between the income flow from the securities originally purchased by the Bank for the establishment of the Treasury payment accounts which have not yet matured and the remuneration of the accounts in proportion to the value of the securities still in the portfolio. As the last security held by the Bank matured at the end of December, the additional interest will no longer be paid to the Treasury as of the financial year 2024.



Table 36

<b>Net result of financial operations, write-downs and transfers to/from risk provisions (Item 2)</b> (millions of euros)			
	2023	2022	Change
Realized profits (+) and losses (-) on financial operations	270	-41	311
Foreign exchange transactions	348	224	124
Transactions in securities denominated in euro	-7	5	-12
Transactions in securities denominated in foreign currency	-55	-244	189
Derivatives contracts	-32	-42	10
Other transactions	16	16	-
Write-downs (-) of financial assets and positions	-99	-1,377	1,278
Due to exchange rate changes	-9	-	-9
Due to price changes			
– securities denominated in euro	-1	-409	408
– securities denominated in foreign currency	-89	-968	879
Transfers from (+) / to (-) the general risk provision for financial risks	5,600	-2,500	8,100
<b>Total</b>	<b>5,771</b>	<b>-3,918</b>	<b>9,689</b>

## [16] Net income from fees and commissions

*Net income from fees and commissions* (Item 3) stood at €18 million (Table 37). The decrease compared with 2022 is mainly due to lower fee income connected with the management of TARGET systems.

Table 37

<b>Net income from fees and commissions (Item 3)</b> (millions of euros)			
	2023	2022	Change
<b>Fee and commission income</b>	<b>40</b>	<b>75</b>	<b>-35</b>
TARGET services (1)	22	53	-31
Financial services to the public sector	6	7	-1
Management of securities used as collateral for monetary policy operations	5	7	-2
Correspondent Central Banking Model	1	2	-1
Other	6	6	-
<b>Fee and commission expense</b>	<b>-22</b>	<b>-24</b>	<b>2</b>
Centralized securities and custodian services management	-17	-20	3
Other	-5	-4	-1
<b>Total</b>	<b>18</b>	<b>51</b>	<b>-33</b>

(1) As of 2023, the income components related to the Eurosystem's IT infrastructure (fee income, participation costs, reimbursements received as service provider) include only the amounts accrued in the financial year.

## [17] Income from participating interests

There was no *income from participating interests* (Item 4) in 2023 – it was €7 million in 2022<sup>43</sup> – owing to the ECB Governing Council's decision (similar to last year's) not to distribute the 2023 income arising from seigniorage and securities held for monetary policy purposes in the form of an interim profit distribution, as a result of the ECB's projected loss for the year.

## [18] Net result of pooling of monetary income

The result for 2023 (Item 5) was negative by €1,139 million and included:

- the net result of the allocation of monetary income in 2023, negative at -€1,130 million (positive at €2,375 million in 2022). This was the difference between the monetary income redistributed to the Bank, amounting to €6,869 million, and that pooled by the Bank, equal to €7,999 million (see the box 'Monetary income');

### MONETARY INCOME

The monetary income to be pooled by each NCB is equal to its annual income derived from the earmarkable assets held against its liability base. 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; (c) intra-Eurosystem claims arising from the transfer of reserves to the ECB; (d) net intra-Eurosystem claims resulting from TARGET transactions; (e) net intra-Eurosystem claims related to the allocation of euro banknotes within the Eurosystem; and (f) a pre-set amount of gold holdings and gold receivables in proportion to each NCB's subscribed capital key. Gold is not considered to generate interest. Public sector securities purchased under the PSPP (Decision ECB/2015/10) and the PEPP (Decision ECB/2020/17 et seq.) are considered to bear interest at the marginal rate used by the Eurosystem for MROs. An NCB's liability base consists primarily of: (a) banknotes in circulation; (b) liabilities to euro-area credit institutions related to monetary policy operations denominated in euro; (c) net intra-Eurosystem liabilities resulting from TARGET transactions; and (d) net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem. The interest on the liabilities included in the liability base is deducted from the monetary income to be pooled. Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference (gap) is considered to bear (or produce) interest based on the marginal rate used by the Eurosystem for MROs.

The total monetary income pooled by the NCBs in the Eurosystem is redistributed to each NCB according to its capital key. The difference between the share of monetary income redistributed to each NCB and the amount pooled by that NCB, which may be larger or smaller, is reported in Item 5 of the profit and loss account and is settled at the end

<sup>43</sup> Only refers to the remainder of the Bank's share of the ECB's profit earned in 2021 and distributed in 2022.

of January of the year following the reference year. The amount of the difference depends on two factors: (a) the first (income effect) relates to possible differences between NCBs regarding the interest income received on specific earmarkable assets and the interest expense due on some components of the liability base; (b) the second (composition effect) arises from the fact that the amounts of the above assets and liabilities in the NCBs' balance sheets do not generally coincide with their capital keys.

Pursuant to Article 33.2 of the Statute of the ESCB, in the event of a loss incurred by the ECB which cannot be offset against the general reserve fund, the ECB Governing Council may decide to withhold part or all of the Eurosystem's monetary income to offset the shortfall in proportion and up to the amounts allocated to the NCBs. For the financial year 2023, the ECB Governing Council decided not to withhold the Eurosystem's monetary income and to carry forward the ECB's loss; this loss will be offset against future profits.

- the negative effect of €2 million, pertaining to the recalculation of amounts for previous years;
- the €7 million provision for the Bank's share of impairment losses relating to one corporate PEPP security (see 'Notes on the items of the balance sheet' – *Monetary policy operations* and *General risk provision and other provisions*).

The substantial deterioration in the net result of pooling of monetary income in 2023 reflects significantly lower growth in the income redistributed to the Bank

**Table 38**

<b>Breakdown of the net result of pooling of monetary income</b> (millions of euros)					
	2023				2022
	Monetary income				
	Eurosystem total	Pooled by the Bank of Italy (A)	Redistributed to the Bank of Italy (B)	Net result (B-A)	Net result
Lending to euro-area credit institutions	26,850	7,831	4,525	-3,306	248
Securities held for monetary policy purposes (subject to risk sharing)	8,483	703	1,430	727	324
Securities held for monetary policy purposes (not subject to risk sharing) (1)	127,854	23,984	21,546	-2,438	-346
Intra-Eurosystem claims equivalent to the transfer of foreign reserves to the ECB	1,335	225	225	–	–
Net intra-Eurosystem claims related to the allocation of euro banknotes	-4,817	1,877	-812	-2,689	-427
Deposits held by euro-area credit institutions	-130,387	-7,850	-21,973	-14,123	-689
Intra-Eurosystem liabilities/claims resulting from TARGET transactions	14,172	-22,769	2,388	25,157	4,276
Gap (2)	-2,730	3,998	-460	-4,458	-1,011
<b>Total</b>	<b>40,760</b>	<b>7,999</b>	<b>6,869</b>	<b>-1,130</b>	<b>2,375</b>

(1) For the purpose of calculating monetary income, they are considered to bear interest at the marginal rate used for main refinancing operations. Therefore, the corresponding pooled income is different from interest income as recorded in sub-item 1.1. – (2) Difference between earmarkable assets and liability base. Includes other minor components.

(+€5,656 million) than that in the income pooled by the Bank (+€9,161 million).<sup>44</sup> The factors that contributed to the negative change of €3,505 million compared with 2022 are shown in Table 38.

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

Item 6 of the profit and loss account amounted to €1,526 million (Table 39), up by €696 million on 2022 owing to: (a) higher net realized gains, mainly arising from the sale of ETFs denominated in US dollar and, to a lesser extent, of equity instruments in euro; (b) lower write-downs mainly related to listed equities; (c) higher interest as a result of higher average yields, even though the holdings of bonds decreased slightly; (d) growth in dividends received for shares and participating interests.

Table 39

Net income from financial assets related to the investment of reserves and provisions (Item 6) (millions of euros)			
	2023	2022	Change
Interest	893	794	99
Dividends from equity shares and participating interests	520	433	87
Realized gains/losses	336	68	268
Write-downs	-243	-484	241
Other components	20	19	1
<b>Total</b>	<b>1,526</b>	<b>830</b>	<b>696</b>

### [20] Other income

*Other income* (Item 8) amounted to €93 million (€86 million in 2022). The item includes reimbursements from other Eurosystem NCBs for the development of IT platforms, applications and infrastructures by the Bank of Italy in its capacity as service provider. These reimbursements are mainly connected with TARGET services and amounted to €73 million in 2023 (€64 million in 2022).

### [21] Expenses and charges

*Expenses and sundry charges* (Item 9) increased from the previous year and amounted to €2,120 million at the end of 2023 (Table 40).

<sup>44</sup> Growth in pooled and redistributed monetary income is mainly due to higher notional interest relating to securities held for monetary policy purposes for which the risk is borne by the individual NCBs; this notional interest differs significantly from the actual interest earned by NCBs.

Table 40

<b>Expenses and sundry charges (Item 9)</b> (millions of euros)			
	2023	2022	Change
Staff wages and salaries	779	693	86
Social security and insurance	196	173	23
Other staff costs (1)	63	56	7
Pensions and severance payments	284	299	-15
Transfers to/from provisions for staff severance pay and pensions, contributions to the supplementary pension fund and other expenses	108	-75	183
Emoluments paid to head office and branch collegial bodies	3	3	-
Administrative expenses	517	528	-11
Depreciation/amortization of tangible/intangible fixed assets	123	122	1
Banknote production services (2)	-	-	-
Other expenses	47	64	-17
<b>Total</b>	<b>2,120</b>	<b>1,863</b>	<b>257</b>

(1) Includes, in particular, expenses for missions, transfers and corporate welfare. – (2) Costs for external banknote production services and for purchases of banknotes.

Wage expenditure was mainly affected by salary adjustments for inflation (measured using the HICP net of developments in the price of imported energy) and by the qualitative and quantitative change in the workforce (Table 41), as well as by the payment during the year of certain bonuses pertaining to 2022 and 2023. Pension expenditure also increased slightly (due to the recognition of equalization increases), while severance payments (included under the same sub-item) declined as a result of the decrease in the number of terminations. The sub-item *Transfers to/from provisions for staff severance pay and pensions, contributions to the supplementary pension fund and other expenses* grew significantly mainly on account of the positive effect generated in 2022 by the release of surplus provisions to the profit and loss account;<sup>45</sup> no change in the provision for severance pay and pensions was recorded in 2023.

Table 41

<b>The Bank's staff</b>				
Composition of the Bank's staff	Average number of employees in service		Percentage composition	
	2023	2022	2023	2022
Managerial and High-Level Professional Area	3,741	3,602	54.0	53.2
Operational Area	3,185	3,160	45.9	46.7
Contract workers	4	5	0.1	0.1
<b>Total (1)</b>	<b>6,930</b>	<b>6,767</b>	<b>100.0</b>	<b>100.0</b>

(1) The average number of employees, counting part-time employees pro rata, totalled 6,903 (6,734 in 2022).

<sup>45</sup> This release relates to the provision for staff early retirement measures (€51 million) and the provision for staff severance pay (€115 million), which were in excess of the commitments for the year.

*Emoluments paid to head and branch office collegial bodies* comprise the emoluments paid to the Board of Directors (€412,230), standing members of the Board of Auditors (€137,430) and the Governing Board. In July 2023, the Board of Directors, after consulting the Advisory Committee, decided to adjust the remuneration of the members of the Governing Board<sup>46</sup> (which had been revised downwards in 2014 and had remained unchanged since then), taking into account the scope of the Bank of Italy's functions and the comparison with board member remuneration at other Eurosystem central banks. Since 1 September 2023, the annual gross all-inclusive emoluments have been set at €480,000 for the Governor, €430,000 for the Senior Deputy Governor and €350,000 for each of the three Deputy Governors.

*Administrative expenses* decreased compared with the previous year, from €528 million to €517 million (Table 42). The reduction mainly reflects the lower costs for utilities – as a result of lower energy prices after the exceptional peak in 2022 – and for raw materials used in banknote production, as a result of the lower volume purchased. Building maintenance and management costs increased, mainly due to the revision of contract prices in line with recent public procurement regulations.

**Table 42**

<b>Administrative expenses</b> (millions of euros)			
	2023	2022	Change
<b>Services</b>	<b>462</b>	<b>459</b>	<b>3</b>
ICT (1)	149	153	-4
Security services, banknote escort and guards	74	75	-1
Building and equipment maintenance	93	81	12
Utilities	28	46	-18
Equipment rental	13	13	–
Canteen and cleaning services	31	30	1
Other	74	61	13
<b>Materials and consumables</b>	<b>55</b>	<b>69</b>	<b>-14</b>
Banknote production	35	49	-14
Subscriptions to publications and information providers	17	17	–
Other supplies	3	3	–
<b>Total</b>	<b>517</b>	<b>528</b>	<b>-11</b>

(1) Includes the costs of using the Eurosystem's IT infrastructure, which amounted to €31 million in 2023 (€50 million in 2022). The expenses relating to the rental and maintenance of hardware are included respectively in *Equipment rental* and in *Building and equipment maintenance*.

<sup>46</sup> The members of the Governing Board also sit, by law, in the Joint Directorate of IVASS, a role for which they do not receive any additional remuneration.

*Other expenses*, amounting to €47 million, include €29 million for local and indirect taxes. The decrease on 2022 is due to lower write-downs on property for sale or no longer usable for the Bank's activities, amounting to €18 million.

## [22] Taxes on income for the year and on productive activities

Taxes for the year (Item 11), which comprised the current taxes owed to the State, taxes for prior years and the change in deferred tax assets and liabilities, showed a positive net contribution of €2,340 million, against a tax expense of €1,304 million for the previous year (Table 43). This result is mainly driven by the recognition of deferred tax assets related to the IRES tax loss for the year 2023 (see 'Notes on the items of the balance sheet' – *Other assets* and *General risk provision and other provisions*).

Table 43

Composition of taxes on income for the year (Item 11) (millions of euros)						
	2023			2022		
	IRES	IRAP	Total	IRES	IRAP	Total
Current taxes (-)	–	–	–	-988	-352	-1,340
Taxes for prior years (+/-)	-15	–	-15	-13	–	-13
Change in deferred tax assets (+/-)	2,363	1	2,364	57	-5	52
Change in deferred tax liabilities (+/-)	-7	-2	-9	-3	–	-3
<b>Taxes for the year (-)</b>	<b>2,341</b>	<b>-1</b>	<b>2,340</b>	<b>-947</b>	<b>-357</b>	<b>-1,304</b>

Table 44

Movements in deferred tax assets (millions of euros)			
	IRES	IRAP	Total
<b>Initial amount</b>	<b>350</b>	<b>5</b>	<b>355</b>
<b>Increases</b>	<b>2,411</b>	<b>5</b>	<b>2,416</b>
Deferred tax assets recognized during the year	2,411	5	2,416
of which: relating to tax losses	2,209	–	2,209
<b>Decreases</b>	<b>-48</b>	<b>-4</b>	<b>-52</b>
Deferred tax assets cancelled during the year	-48	-4	-52
<b>Final amount</b>	<b>2,713</b>	<b>6</b>	<b>2,719</b>

IRES was positive at €2,356 million in 2023 (-€934 million in 2022) and corresponds to the net change in deferred tax assets and liabilities, which mainly reflects the increase in deferred tax assets arising mostly from the aforementioned tax loss.



Table 45

<b>Movements in deferred tax liabilities</b> (millions of euros)			
	IRES	IRAP	Total
<b>Initial amount</b>	<b>135</b>	<b>26</b>	<b>161</b>
<b>Increases</b>	<b>9</b>	<b>2</b>	<b>11</b>
Deferred tax liabilities recognized during the year	9	2	11
<b>Decreases</b>	<b>-2</b>	<b>-</b>	<b>-2</b>
Deferred tax liabilities cancelled during the year	-2	-	-2
<b>Final amount</b>	<b>142</b>	<b>28</b>	<b>170</b>

The total charge for IRAP was €1 million (-€357 million in 2022), driven by the net change in deferred tax assets and liabilities.

### *Post-balance-sheet events*

As of 1 January 2024, following the five-yearly adjustment, the Bank of Italy's share in the ECB's capital, considering only the Eurosystem NCBs, decreased from 16.8518 to 16.0201 per cent. This capital key is used to settle financial transactions between the Bank and the other Eurosystem NCBs, such as the redistribution of monetary income.

## PROPOSALS OF THE BOARD OF DIRECTORS

The Board of Directors, having considered that:

- the Bank's profitability deteriorated markedly in 2023, resulting in the recognition of a gross loss, before the use of the general risk provision;
- the Ordinary Meeting of Shareholders of 31 March 2017, following a proposal by the Board of Directors and having received the approval of the Board of Auditors, decided to create a special item in the balance sheet to be used to stabilize over the long term the amount of net profit paid to the shareholders under the dividend policy in force;
- the item may be credited annually with an amount equal to the difference between the upper bound of the range indicated in the dividend policy in force at the time and the dividend actually distributed;
- on the date indicated in Article 38.2.b of the Statute no shares exceeded the 5 per cent threshold, above which the dividend must be allocated to the Bank's statutory reserves;

acting on the proposal of the Governing Board and after hearing the opinion of the Board of Auditors, proposes the following allocation of the net profit for 2023 for approval by the Meeting of Shareholders:

	euros
– a dividend to the shareholders .....	200,000,000
– to the special item for stabilizing dividends .....	-
– the remaining amount to the State .....	<u>615,044,757</u>
<b>Total</b>	<b><u>815,044,757</u></b>

The dividend to the shareholders is supplemented by using €140 million from the special item, in accordance with the dividend policy in force; shareholders will therefore receive a total of €340 million. The remaining special item amounts to €140 million.

**THE GOVERNOR**

Fabio Panetta



**DOCUMENTS ATTACHED  
TO THE ANNUAL ACCOUNTS**



## **REPORT OF THE BOARD OF AUDITORS**

### ON THE 130<sup>TH</sup> FINANCIAL YEAR OF THE BANK OF ITALY AND THE ANNUAL ACCOUNTS FOR THE YEAR ENDING 31 DECEMBER 2023

*To the shareholders,*

We have examined the Annual Accounts of the Bank of Italy for the year ending 31 December 2023, drawn up in accordance with the accounting policies and valuation methods decided by the Board of Directors and agreed by us, which are described in detail in the Notes to the Annual 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 carried out checks on the proper keeping of the accounts in accordance with the transitional provision set out in Article 43 of the Bank of Italy's Statute until this task was given to Deloitte&Touche SpA, as part of its new mandate to audit the Bank's Annual Accounts.

The above-mentioned audit firm has issued its own report confirming that the Bank of Italy's Annual Accounts give a true and fair view of the financial position and the profit or loss for the financial year.

In our opinion, the Annual Accounts of the Bank of Italy for the year ending 31 December 2023 have been prepared in accordance with the accounting policies and valuation methods indicated in the Notes to the Annual Accounts. They comply with the laws in force and with the harmonized accounting rules laid down by the ECB Governing Council and endorsed by Article 8 of Legislative Decree 43/1998 for reporting purposes.

We call particular attention to the following matters, which are covered extensively in the Notes to the Annual Accounts and in the Management Report:

- a) the recognition of deferred tax assets in the balance sheet is based on the reasonable expectation of offsetting their full amount, considering the Bank's projected income. The net increase for the year of €2,364 million (from €355 to €2,719 million) is mainly due to the carryforward of the IRES tax loss for the year to subsequent tax periods;
- b) the Board of Directors approved the release of €5,600 million from the general risk provision to cover the gross loss for the year;
- c) even after this release, the general risk provision and other financial buffers ensure a level of risk coverage that remains adequate in the medium term, considering that the reduction in the balance sheet, already observed in 2023, is set to continue in future years as the principal payments from maturing monetary policy securities are no longer reinvested.

We attest that in our opinion the total amount of the Bank's provisions, equal to €7,434 million, is prudent. Specifically, the provision for severance pay and pensions shows a €56 million excess amount, which remains prudently allocated to the item.

We have examined the Management Report which accompanies the Annual Accounts and we consider it to be consistent with said Accounts.

During the financial year ending 31 December 2023 we monitored compliance with the law, with the Bank's Statute and General Regulations, and with the principles of proper management.

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

We have examined the adequacy of the organizational arrangements governing the administrative and accounting aspects of the Bank to ensure their smooth operation and have ascertained that the system in place is suitable to ensure a full and accurate accounting record of events.

No material issues requiring specific comment emerged in the course of the performance of our duties or in exchanges with the audit firm or with the managers in charge of the various functions.

*To the shareholders,*

The accounts submitted for your approval show the following results:

Assets .....	€	1,253,392,399,281
Liabilities .....	€	1,226,273,268,785
Capital and reserves .....	€	26,304,085,739
Net profit for the year.....	€	<u>815,044,757</u>

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

– dividends to the shareholders .....	€	200,000,000
– to the special item for stabilizing dividends.....	€	–
– the remaining amount to the State .....	€	<u>615,044,757</u>
Total .....	€	<u>815,044,757</u>

Bearing in mind that, following the decision of the Shareholders' Meeting on 31 March 2017, the special item for stabilizing dividends must be used to supplement the dividends distributed to the shareholders under the current dividend policy, the Board of Directors has decided to use €140 million from this item. The shareholders will therefore receive a total of €340 million. The remaining special item amounts to €140 million.

We note that on the date indicated in Article 38.2.b of the Statute there were no shares exceeding the 5 per cent shareholding limit established by Article 3.4 of the Statute and that, as a result, the shareholders will be paid the entire dividend.

*To the shareholders,*

Bearing in mind the provisions of Article 37.2 of the Statute, we recommend that you approve the Annual Accounts for 2023 that have been submitted to you (the Balance Sheet, the Profit and Loss Account, the Notes to the Annual Accounts and the accompanying Management Report) and the proposed allocation of the net profit for the year pursuant to Article 37.3 and Article 38.1 of the Statute.

Rome, 7 March 2024

#### THE BOARD OF AUDITORS

Gaetano Presti (Chairman)

Giuliana Birindelli

Giovanni Liberatore

Giuseppe Melis

Anna Lucia Muserra



## RELAZIONE DELLA SOCIETÀ DI REVISIONE INDIPENDENTE AI SENSI DELL'ART. 37 DELLO STATUTO DELLA BANCA D'ITALIA

### Ai Partecipanti al capitale della Banca d'Italia

#### Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Banca d'Italia (di seguito anche "Istituto"), costituito dallo stato patrimoniale al 31 dicembre 2023, dal conto economico per l'esercizio chiuso a tale data e dalla nota integrativa.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria dell'Istituto al 31 dicembre 2023 e del risultato economico per l'esercizio chiuso a tale data in conformità ai principi e criteri contabili dettati dalle norme speciali descritti nella nota integrativa.

#### Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione. Siamo indipendenti rispetto all'Istituto in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

#### Responsabilità degli Organi di Amministrazione dell'Istituto e del Collegio Sindacale per il bilancio d'esercizio

Gli Organi di Amministrazione 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 descritti nella nota integrativa e per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli Organi di Amministrazione sono responsabili per la valutazione della capacità dell'Istituto di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale.

Il Collegio Sindacale, nei termini previsti dallo Statuto dell'Istituto, svolge funzioni di controllo sull'amministrazione dell'Istituto per l'osservanza della legge, dello Statuto, del regolamento generale; vigila sull'adeguatezza dell'assetto contabile dell'Istituto, esamina il bilancio ed esprime il proprio parere sulla destinazione dell'utile netto.

## **Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio**

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche prese dagli utilizzatori sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- Abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno.
- Abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno dell'Istituto.
- Abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Organi di Amministrazione, inclusa la relativa informativa.
- Siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli Organi di Amministrazione del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità dell'Istituto di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio, ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione.

- Abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

DELOITTE & TOUCHE S.p.A.



Antonio Sportillo  
Socio

Roma, 7 marzo 2024

# ADMINISTRATION OF THE BANK OF ITALY

AT 31 DECEMBER 2023

## GOVERNING BOARD

Fabio PANETTA	- GOVERNOR
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# ADMINISTRATION OF THE BANK OF ITALY

AT 28 MARCH 2024

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