

## **Fabio Panetta: Address - ordinary meeting of shareholders**

Address by Mr Fabio Panetta, Governor of the Bank of Italy, at an ordinary meeting of shareholders, Rome, 31 March 2026.

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*Ladies and Gentlemen,*

You are here today to approve Banca d'Italia's annual accounts for 2025.

Before illustrating the financial results, I would like to draw your attention to the changes in the composition of the Governing Board.

In July 2025, Sergio Nicoletti Altimari, former Head of the Directorate General for Economics, Statistics and Research, was appointed Deputy Governor, taking over from Alessandra Perrazzelli, whom I wish to thank warmly for her contribution during her term of office.

On 30 January 2026, Luigi Federico Signorini announced his intention to leave the Bank one year before the end of his term and today is stepping down as Senior Deputy Governor. We are deeply grateful to him for his service and commitment throughout a long and distinguished career, defined by his outstanding expertise, sound judgement and steadfast dedication.

As of tomorrow, Paolo Angelini will take office as Senior Deputy Governor. Gian Luca Trequattrini, previously Secretary to the Governing Board, will take over as Deputy Governor alongside Chiara Scotti, Deputy Governor. I wish them all every success in their new duties.

### **International developments**

The international environment was marked by heightened economic and geopolitical tensions in 2025. In April, the United States announced the largest increase in trade tariffs since the Great Depression. Meanwhile, the proliferation of armed conflicts ruptured relations between countries, leaving behind a heavy toll of death and destruction.

Against this background, financial market volatility increased significantly and the drift towards global trade fragmentation intensified.

Despite these developments, in 2025 global GDP and world trade grew more than expected, helped by lower tariffs than initially announced, geographical shifts in trade and the lack of widespread retaliation. AI-related exports and investment were particularly buoyant.

The decline in inflation made it possible to gradually ease monetary conditions in many advanced economies.

However, the situation deteriorated rapidly in the early weeks of 2026. Tensions with Iran, which intensified in the spring of 2025, turned into a far-reaching military confrontation that now involves the Middle East at large, a region that is crucial for the global supply of energy and critical raw materials.

Exports through the Strait of Hormuz have almost come to a halt and there is evidence of significant damage to energy production and refining infrastructure. Even in the event of a rapid ceasefire, a return to orderly conditions in the energy market would take some time.

The most immediate effect of the conflict has been a surge in oil and gas prices, resulting in weaker growth prospects and renewed inflationary pressures. More broadly, a highly uncertain environment is taking root and is likely to extend beyond the acute phase of the conflict.

## **Monetary policy in 2025 and ongoing developments**

In 2025, inflation in the euro area gradually returned close to target. This allowed the ECB Governing Council to cut its key interest rates by 100 basis points, and to keep them unchanged since last June. The deposit facility rate is now 2 per cent.

At the same time, the portfolios of securities held for monetary policy purposes continued to decline, following the decision not to reinvest principal payments from maturing securities. In the euro area, the total value of these portfolios decreased by more than €500 billion compared with the end of 2024.

Banks' liquidity holdings with the Eurosystem in excess of minimum reserve requirements declined, but remained high at around €2,400 billion, €400 billion less than in the previous year.

Against this background, economic activity in the euro area showed signs of strengthening in 2025, supported by a rebound in investment and strong consumer spending. In Italy too, GDP growth was driven by investment and the recovery in households' purchasing power. Last December, domestic demand was expected to continue to make a positive contribution in 2026 and in the following years.

However, the conflict in the Middle East abruptly changed the outlook. Financial markets have reacted with higher yields and risk premia, falling equity prices and a weaker euro. Short-term inflation and policy rate expectations have been revised upwards. Uncertainty and tighter financial conditions have rekindled fears of a deterioration in credit standards.

Monetary policy is again facing a negative supply shock amid high uncertainty, as was the case in 2022, in the aftermath of Russia's invasion of Ukraine.

According to the ECB's recent projections, inflation will be above target in 2026, before easing gradually next year, and economic growth will be lower than previously estimated.

If the energy shock were to be stronger and more persistent than in the baseline scenario, inflation would rise further, while growth would be weaker.<sup>1</sup>

Significant commodity price increases could stem from damage to energy infrastructure; moreover, any disruptions to global value chains could result in higher intermediate goods prices, exacerbating pressures on consumer prices. The magnitude of these effects will depend crucially on the pass-through of shocks to wages and on any resulting shifts in expectations, with the risk of a wage-price spiral.

Compared with 2022, monetary policy is now in a more favourable position to safeguard price stability: the ECB key interest rates are in line with the estimated level of the neutral rate; medium- and long-term inflation expectations are anchored; and the labour market is less tight. Moreover, the banking system as a whole is highly profitable and has a strong capital position.

Against this background, the ECB Governing Council kept its key interest rates unchanged in March, reiterating that it will continue to follow a data-dependent and meeting-by-meeting approach to its monetary policy decisions. Its commitment to keep inflation at 2 per cent over the medium term remains firm.

In such an uncertain and ever-shifting environment, it will be essential to monitor expectations closely and to prevent a wage-price spiral, while ensuring that monetary policy action remains proportionate and consistent with the ECB's mandate.

## **The balance sheet**

Banca d'Italia's balance sheet grew by around €10 billion in 2025, mainly reflecting unrealized gains on gold reserves amounting to €91 billion. These more than offset the decline in securities held for monetary policy purposes, which fell by over €80 billion, to €508 billion.

As set out in the Eurosystem's accounting rules, these unrealized gains do not affect the profit and loss account, but are recorded in a specific revaluation account on the liability side, helping to absorb any future fluctuations in the price of gold.

The 2026 Budget Law introduced an interpretative provision for Article 4.2 of Italy's consolidated law on foreign exchange regulations which - without prejudice to the responsibilities set out in Articles 123, 127 and 130 of the Treaty on the Functioning of the European Union - states that the gold reserves managed and held by Banca d'Italia, as recorded on its balance sheet, belong to the Italian people. This provision does not change the accounting treatment of gold reserves, nor does it affect Banca d'Italia's tasks and purposes in terms of holding gold.

The overall level and sound management of official reserves, including gold, help strengthen confidence in the stability of the Italian financial system.

I wish to stress that all the assets and liabilities of Banca d'Italia, including gold, are held and managed solely in the service of Italy and Europe, in accordance with the public interest and within the constraints imposed by the legal framework. Banca d'Italia operates independently and with the utmost attention to the efficient use of resources.

On the liability side, the reduction in assets held for monetary policy purposes was mirrored by a €19 billion decrease in deposits by credit institutions and a €58 billion narrowing of Banca d'Italia's negative TARGET balance, from €416 billion to €358 billion. The contraction in this balance, under way since 2023, is largely attributable to the increase in foreign investment in Italian securities, especially government bonds; a further contribution came from the payment of the seventh and eighth tranches of funds under the Recovery and Resilience Facility, which were disbursed to Italy through the TARGET system.

In March 2026, the negative balance did not show any significant changes compared with the end of 2025.

## **The profit and loss account**

In 2023 and 2024, Banca d'Italia reported gross losses of €7.1 billion and €7.3 billion respectively. However, when presenting the annual accounts for 2022, we had anticipated a return to profit starting from this year. The Bank has now returned to a gross profit of about €3 billion for 2025.

The improvement of over €10 billion mainly reflects the effects of monetary policy. The decline in key interest rates and the downsizing of the Bank's balance sheet led to a marked improvement in net interest income. In previous years, profitability was held back by the higher cost of euro-denominated liabilities stemming from key interest rate hikes, which were exceptional in terms of pace and extent, but were needed to counter the surge in inflation.

Similar developments have affected the Eurosystem as a whole, although the timing of the return to profit varies considerably across central banks, as their balance sheets differ in size, composition and return.

The primary goal of the Eurosystem is to maintain price stability, not to pursue profit. Monetary policy decisions are taken to fulfil this mandate, even when this may result in a temporary deterioration in central banks' financial results.

It is therefore essential that they hold an adequate level of capital, so that they can effectively withstand any losses.

With this objective in mind, the general risk provision - which in the last two financial years was used for a total of over €11 billion to cover gross losses - was increased this year by €0.9 billion, to €24.7 billion.

This allocation should be viewed from a medium-term perspective. It takes account both of the current level of risks, estimated under the most adverse scenarios, and of their expected evolution.

Taxes for the year amounted to around €0.4 billion. The year therefore closed with a net profit of €1.7 billion, compared with €0.8 billion in 2024.

## **Strategic objectives, digital transformation and activities carried out for the Eurosystem**

We recently published the 2026-2028 Strategic Plan, in which we outlined the areas of intervention for the coming years, leveraging our core strengths: human capital and our ability to harness the opportunities of digital transformation.

We intend to strengthen the Bank's role in modernizing payment systems and to monitor the evolution of new technologies and their effects on the financial system. These areas are closely interconnected and demand a unified vision and constant adaptability.

Our multi-year digital transformation plan goes in this direction. Its goal is twofold: first, to improve operational efficiency, by reducing costs and increasing the effectiveness of our activities, and second, to strengthen our ability to operate swiftly and flexibly in an ever-changing environment.

We are moving forward decisively with investments in technological infrastructure, security and data protection, and with the adoption of advanced technologies, especially generative AI. We have already adopted tools that increase individual productivity and have started to carefully, yet steadily, introduce digital agents that can perform complex tasks. The initial applications focus on streamlining the production of financial supervisory regulation and supporting on-site inspections. We want to learn from experience, refine the tools and adapt quickly to technological change, seizing new opportunities and managing risks.

Concurrently, we have restructured our Directorate General for Information Technology in order to better meet the challenges of frontier technologies - not only artificial intelligence but also quantum and distributed ledger technologies (DLTs) - and to bolster our cyber resilience. This also allows us to support the development of Eurosystem projects in the fields of payments, statistics and the digital euro.

We will soon complete a new platform for the management and analysis of large volumes of data, including unstructured data, which will be crucial in leveraging the Bank's wealth of information to support its institutional activities and operational processes.

Another strategic objective revolves around the branch network. The plan to expand the functions and reorganize the structure of the branch network will be completed by the end of this year, with a view to strengthening the branches' role in core activities and furthering their integration with the head office. With this in mind, new dedicated units were set up in the areas of customer protection, financial education, anti-money laundering supervision, firms' credit ratings, and user services. The branches will continue to be key players also in ensuring that cash circulation is managed properly and that cash is readily available throughout Italy.

The plan will be implemented gradually, in line with training and recruitment programmes and focusing on staff, whose full engagement is essential to the success of the reform.

Furthermore, we will continue to promote financial literacy, including through our local branches, targeting the general public and especially young people. In this context, we have renewed our collaboration with the Ministry of Education and Merit to promote financial education in schools by supporting them as they implement the law that formally introduced financial education as a curricular subject.

We are also committed to fostering the transition of young graduates into the professional world and to advancing post-university education through traineeships across the Bank's many areas of activity, as well as through fellowships and scholarships in economics, statistics, law and technology.

Banca d'Italia plays a key role in providing the services necessary for the functioning of the Eurosystem. The costs incurred for developing and operating the platforms are reimbursed by the other euro-area central banks; over the past five years, around €400 million were reimbursed, plus €180 million in fees paid by market participants.

We are also actively involved in the Eurosystem's strategic projects, in particular Pontes and Appia,<sup>2</sup> which are designed to enable the settlement of DLT-based transactions in central bank money. These initiatives seek to facilitate interoperability across existing infrastructures in the short term and to foster a more integrated and innovative European financial ecosystem in the medium term.

In the retail payments sector, it is crucial that central bank money evolves in step with technological changes and people's habits. The digital euro project addresses this need. The digital euro will complement cash, not replace it, with a view to providing the public with a secure and free means of payment that can be used under any circumstance, including offline.

Banca d'Italia is deeply invested in this project and is part of the small group of central banks tasked with developing the platform's core components.

The public-sector payments segment has been undergoing a major overhaul. The Re.Tes programme<sup>3</sup> has already streamlined treasury procedures and modernized tools; further progress has been made by integrating the pagoPA payments platform with Poste Italiane's payment collection platform.

Finally, I would like to draw attention to the Bank's work on sustainability issues. We were among the first Eurosystem central banks to publish a climate transition plan, with the goal of achieving carbon neutrality by 2050. Significant progress has already been made, especially on the self-generation of renewable energy.

All these developments require new skills. This is why, over the next few years, the Bank will need to expand its workforce by recruiting staff specialized in less conventional fields, such as cyber security, artificial intelligence and advanced data management.

In a complex and rapidly changing external environment, people's individual contribution remains vital. Our ability to serve Italy and Europe effectively is rooted in the professionalism, sense of responsibility and dedication that our colleagues display every day.

To all of them, I extend my deepest and sincerest thanks.

## **Proposal for the allocation of the net profit**

*Dear Shareholders,*

Pursuant to Article 38 of the Statute, acting on a proposal of the Governing Board and after hearing the opinion of the Board of Auditors, I present for your approval the Board of Directors' proposal for the allocation of the net profit for 2025.

Under the current dividend policy, the amount paid to the Shareholders is kept within a range of €340 million to €380 million, provided that the net profit is sufficient and without prejudice to the Bank's capital adequacy.

Considering that the Bank returned to gross profit in 2025, I propose allocating a dividend of €340 million to the Shareholders from the net profit of €1,652 million. This amount has been allocated to the Shareholders since the introduction of the dividend policy in 2015. It was disbursed in the last two financial years as well, by drawing from the special item for stabilizing dividends. The special item - which was fully depleted following these releases - is to be replenished by €40 million. As decided by the Meeting of Shareholders in 2017, this amount is equal to the difference between the upper bound of the range mentioned above (€380 million) and the dividend paid (€340 million).

There are 1,040 shares in the Bank's capital exceeding the 5 per cent threshold and not entitled to dividends; the corresponding dividend of €1,178,667 is therefore allocated, as required by the Statute, to the statutory reserve.

The remaining profit allocated to the State is €1,272 million, about twice the figure for 2024.

The total amount allocated to the Shareholders over the last ten years is €2.9 billion; the total allocated to the State over the same period amounts to €41.3 billion, of which €34.8 billion from the net profit and €6.5 billion in the form of current taxes for IRES and IRAP purposes.

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<sup>1</sup> The current high uncertainty, in line with the results of the monetary policy strategy review, required a risk assessment and an analysis of alternative macroeconomic scenarios on top of the baseline projections. For more details, see the ECB's website, '[ECB staff macroeconomic projections for the euro area](#)', March 2026.

<sup>2</sup> For further details, see Banca d'Italia's website, '[Pontes and Appia: the future of TARGET Services](#)'.

<sup>3</sup> The Re.Tes programme for re-engineering treasury procedures has been operational since 1 January 2025, introducing a modern IT architecture for State Treasury services.