

# Cassa del Trentino SpA

## Update

### Ratings

#### Foreign Currency

Long-Term IDR	A-
Short-Term IDR	F1

#### Local Currency

Long-Term IDR	A-
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### Outlooks

Foreign-Currency Long-Term IDR	Stable
Local-Currency Long-Term IDR	Stable

### Financial Data

#### Cassa del Trentino SpA

	31 Dec 2016	31 Dec 2015
Interest Revenue (EURm)	64.9	68.1
Net Operating Income (EURm)	12.4	13.9
Loans (EURm)	0	0.0
Total Debt (EURm)	1433.5	1555.7
Total Assets (EURm)	2,335.5	2,421.4
Equity and Reserves (EURm)	123.3	121.6
Interest Rev. on Loans/Loans %	0	0
Net Interest Income/Earning Assets %	0.64	0.67
Impaired Loans/Total Loans %	0	0
Liquid Assets/Total Assets %	25.72	14.45
Loans/Equity and Reserves %	0	0

### Related Research

[Autonomous Province of Trento \(June 2017\)](#)

### Analysts

Federica Bardelli  
+39 02 879 087 261  
[federica.bardelli@fitchratings.com](mailto:federica.bardelli@fitchratings.com)

Gian Luca Poggi  
+39 02 879 087 293  
[gianluca.poggi@fitchratings.com](mailto:gianluca.poggi@fitchratings.com)

### Key Rating Drivers

**High Dependence from Sponsor:** Cassa del Trentino SpA (CdT) is 100% owned by the Autonomous Province of Trento (PAT) as the province's financial arm. CdT's institutional mission and mandate is to manage and provide financial resources for public investments within the province on behalf of PAT, supporting the economy and financial policies. Despite its joint-stock company status, CdT's not-for-profit mission increases its dependence from PAT.

**Funding Dependence Supports Integration:** CdT is tightly integrated within PAT's wider public sector, which drives and supervises its strategies and operations. CdT is also fully dependent on PAT for its funding needs, which means the province has extensive control of CdT's finances. If necessary, CdT can access credit lines from PAT's treasury bank and receive advanced subsidies.

**Tight Control, Statutory Guarantee:** Board of directors is appointed by the province, which approves the CdT's financial statements and retains control over major strategic decisions. The tight control is also evident in the statutory provincial guarantee (unconditional, irrevocable and on first demand) on the entire CdT's debt, while PAT aims to strictly monitor the development of guaranteed debt in relation to the province's GDP.

**Unique Role Supports Strategic Importance:** CdT is key in implementing PAT's economic development policies as it is the sole provider of future borrowing for municipalities and other not-for-profit organisations. Its unique role as advisor to provincial not-for-profit entities underlines its high strategic importance to the province. Fitch expects that, due to the CdT's unique role, extraordinary support from PAT in case of need is very likely.

**Nearly Risk free:** 95% of CdT's liabilities, or EUR2.2 billion, comes from loans and bonds that CdT issues on behalf of the province and whose repayment is backed by provincial transfers, matching debt amortisation and assisted by provincial guarantees. CdT remains with a negligible market and concentration risk, excellent asset quality with no impaired loan, while maintaining a good access to market, revealing a high level of security.

**Stable economic results:** Fitch expects CdT's net interest margin to remain below 1% of assets over the medium term (0.6% in 2016), with assets reducing at around EUR2 billion and interest margin around EUR14 million (EUR15 million on average in 2014-2016), while net income will hover around EUR5 million in 2017-2019 due to CdT's net-for-profit mission (EUR6.5 million on average in 2013-2016).

**Solid liquidity position:** CdT's solvency is underpinned by its stable revenue structure, based on PAT's support. CdT traditionally maintains adequate liquidity with cash averaging for about one third of financial debt, while liquidity lines provide additional safety net as CdT has access to credit lines from the province's treasury bank and can access future subsidies to CdT's if need be.

### Rating Sensitivities

**Credit-linked to its sponsor:** CdT's ratings mirror PAT's IDRs. A change in the sponsor's ratings would therefore be reflected on those of CdT. A dilution of support or weaker integration with PAT, resulting from an increase in non-guaranteed financial debt towards one-third of the total debt or a change in statute or legislative framework weakening CdT's link with the province may lead to a negative rating action.

Appendix A

Cassa del Trentino SpA

(EURm)	2012	2013	2014	2015	2016
<b>Profit and Loss</b>					
Interest Revenue	56.7	62.8	67.1	68.1	64.9
Interest Expenditure	-42.5	-46.7	-51.6	-53.1	-51.0
Net Interest Income	14.2	16.1	15.5	15.0	13.9
Net Fees and Commissions	0.0	0.0	0.0	-0.1	0.0
Other Operating Income	0.0	0.0	1.3	0.9	1.0
Personal Expenses	-1.4	-1.5	-2.1	-2.0	-1.8
Other Operating Expenses	-0.4	-0.5	-0.6	-0.7	-0.7
Net Gains and Losses on Securities and Trading	0.0	0.0	0.0	0.8	0.0
Net Operating Income/ (Loss)	12.4	14.1	14.1	13.9	12.4
Provisions	0.0	0.0	-1.3	-1.0	0.0
Operating Profit (loss) after Provisions	12.4	14.1	12.8	12.9	12.4
Other Non Operating Revenues/Expenses	0.0	0.0	-0.7	-0.1	0.0
Contributions from State Budgets	0.0	0.0	0.0	0.0	0.0
Profit (loss) Before tax	12.4	14.1	12.1	12.8	12.4
Taxation	-6.4	-8.9	-6.5	-6.3	-4.4
Net Profit (Loss)	6.0	5.2	5.6	6.5	8.0
<b>Balance Sheet</b>					
<b>Assets</b>					
Cash and Cash Equivalents	224.2	326.0	373.0	328.8	573.8
Liquid Securities	20.3	20.6	31.0	21.0	26.9
Deposits with Banks	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Other Earning Assets*	1,259.9	1,440.0	1,703.0	1,878.0	1,553.5
Long term Investments	138.4	134.1	133.3	128.1	116.8
Fixed Assets	0.1	7.5	6.8	0.0	0.0
Intangible	0.0	0.0	0.0	0.0	0.0
Other Long-term Assets	0.3	48.8	47.5	65.5	64.5
Total Assets	1,643.2	1,977.0	2,294.6	2,421.4	2,335.5
<b>Liabilities &amp; Equity</b>					
Customer Deposits	0.0	0.0	0.0	0.0	0.0
Deposits from Banks	0.0	0.0	0.0	0.0	0.0
Short term Borrowing	0.0	0.0	0.0	0.0	0.0
Other Short term Liabilities	429.1	556.5	636.4	738.4	773.0
Debt Maturing after 1 year	1,166.8	1,304.0	1,532.2	1,555.7	1,433.5
Other Long term Funding	0.0	0.0	0.0	0.0	0.0
Other Provisions and Reserves	0.0	0.0	0.0	0.0	0.0
Other Long term Liabilities	5.1	5.4	6.6	5.7	5.7
Equity	7.6	52.6	52.6	52.6	52.6
Reserves	34.9	58.5	66.8	69.0	70.7
Total Liabilities & Equity	1,643.5	1,977.0	2,294.6	2,421.4	2,335.5
<b>Memo:</b>					
Guarantees and Other Contingent Liabilities	0.0	2.3	0.0	0.0	0.0

\*: credits from PAT

Source: Issuer and Fitch calculations

Appendix B

Cassa del Trentino SpA

	2012	2013	2014	2015	2016
<b>Ratios</b>					
<b>Performance</b>					
Interest Revenue on Loans/Loans (%)	-	-	-	-	-
Interest Expense/Borrowings and Deposits (%)	3.64	3.58	3.37	3.41	3.56
Net Interest Income /Earning Assets (%)	0.94	0.9	0.74	0.67	0.64
Net Operating Income/Net interest Income and Other Oper. Revenue (%)	87.32	87.58	83.93	87.97	83.22
Net Operating Income/ Equity and Reserves (%)	29.18	12.69	11.81	11.43	10.06
Net Operating Income/ Total Assets (%)	0.75	0.71	0.61	0.57	0.53
<b>Credit</b>					
Growth of Total Assets (%)	12.16	20.31	16.06	5.53	-3.55
Growth of Loans (%)	-	-	-	-	-
Impaired Loans/Total Loans (%)	-	-	-	-	-
Reserves for Impaired Loans/ Impaired Loans (%)	-	-	-	-	-
Loan Impairment Charges/ Loans (%)	-	-	-	-	-
<b>Liquidity and Funding</b>					
Long term Debt/Total Equity and Reserves (%)	2745.41	1173.72	1283.25	1279.36	1162.61
Liquid Assets/Total Assets (%)	14.88	17.53	17.61	14.45	25.72
Total Deposits and Debt/Total Assets (%)	71.01	65.96	66.77	64.25	61.38
Liquid Assets/Short term Deposits and Borrowing (%)	-	-	-	-	-
<b>Capitalization</b>					
Equity and Reserves/Total Assets (%)	2.59	5.62	5.2	5.02	5.28
Net profit/Total Equity and Reserves (%)	14.12	4.68	4.69	5.35	6.49
Loans/Equity and Reserves (%)	0	0	0	0	-
Regulatory Capital Adequacy Ratio (%)	-	-	-	-	-
n.a.: not available					
Source: Issuer and Fitch calculations					

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#### Related Criteria

[International Local and Regional Governments Rating Criteria - Outside the United States \(April 2016\)](#)

[Rating of Public-Sector Entities – Outside the United States \(February 2017\)](#)