FITCH AFFIRMS CASSA DEL TRENTINO AT 'A'; OUTLOOK STABLE

Fitch Ratings-Milan/Barcelona/London-14 July 2016: Fitch Ratings has affirmed Cassa del Trentino's (CdT) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) at 'A' with Stable Outlook, and Short-Term Foreign Currency IDR at 'F1'. Fitch has also affirmed CdT's bonds and notes at Long-term 'A'.

The rating actions follow the affirmation of the Autonomous Province of Trento (PAT; see 'Fitch Affirms Italian Autonomous Province of Trento at 'A'; Stable Outlook, dated 10 June 2016 on www.fitchratings.com).

Fitch rates CdT, using a top-down rating approach under its 'Rating of Public-Sector Entities - Outside the United States' criteria, to reflect the credit links between CdT and its sponsor, such as those underlined by the presence of a statutory guarantee issued by the sponsor on CdT's financial liabilities.

KEY RATING DRIVERS
The 'A' rating reflects CdT's close relationship with PAT, as evidenced by the company's strong integration with, control by and strategic importance for the province. CdT's ratings are equalised with those of PAT by virtue of the guarantee provided by the sponsor for CdT's debt under provincial law 13/1973 art. 8bis. The Stable Outlook reflects Fitch's expectation that no major changes will materialise to considerably change the strong links in the foreseeable future.

Legal Status (Mid-Range attribute): CdT is entirely owned by PAT and is the province's financial arm. CdT's institutional mission and mandate is to manage and provide financial resources for public investments within the regional territory on behalf of PAT, therefore supporting the provincial's developmental and financial policies. Despite its joint-stock company status, the not-for-profit mission of CdT increases its dependence on the province.

Integration (Stronger attribute): CdT is tightly integrated within PAT's wider public sector and its strategies and operations are driven and supervised by the sponsor. In addition, CdT is fully dependent on PAT for its funding needs, which means the latter also has extensive control over its finances. If necessary, CdT can access credit lines from PAT's treasury bank or receive advanced subsidies.

Control (Stronger attribute): CdT's Board of Directors is directly and entirely appointed by the province, which also approves the company'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 CdT's debt. CdT may eventually issue additional liabilities to accommodate a potential enlargement of its responsibilities, although PAT aims to continue to strictly monitor the evolution of the guaranteed debt in relation to the province's GDP.

Strategic Importance (Stronger attribute): As the sole provider of future borrowing for municipalities and other not-for-profit organisations CdT is important in implementing PAT's policy for economic development. Also, its unique core business compared with other local financial institutions and its role as advisor to provincial not-for-profit entities underline s its high strategic importance to the province. Should CdT's total financial debt exceed the targeted guaranteed amount, and considering the unique role of the entity within the provincial territory, extraordinary support from PAT, in case of need, is likely.

Operations: CdT's gross debt is expected to remain in line with 2015 at around EUR1.6bn over the medium term as the company continues to support the capital spending of cities and companies located in the provincial territory. For its portion of debt with bullet maturity (about 30% of total), and in accordance with internal policy, CdT has set aside cash provisions in a sinking fund of about EUR360m (at end-2015). Fitch believes CdT would most likely receive extraordinary support from its sponsor in case of need, as its total debt outstanding as of end-2015, fully covered by PAT's liquidity, represents only one-third of PAT's budget.

Fitch expects CdT's net interest margin to grow towards EUR20m over the medium term from EUR15m at end-2015, mainly due to increased operational activity and stabilisation of the interest rate spread. On the other hand, Fitch expects net profit to remain at a modest EUR5m-EUR7m, reflecting CdT's not-for-profit mission.

RATING SENSITIVITIES
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.

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Applicable Criteria
International Local and Regional Governments Rating Criteria - Outside the United States (pub. 18 Apr 2016)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=878660
Rating of Public-Sector Entities – Outside the United States (pub. 22 Feb 2016)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=877128