

## CREDIT OPINION

24 October 2018

Update

✓ Rate this Research

### RATINGS

#### Cassa del Trentino S.p.A.

Domicile	Italy
Long Term Rating	Baa1
Type	LT Issuer Rating - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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## Cassa del Trentino S.p.A. (Italy)

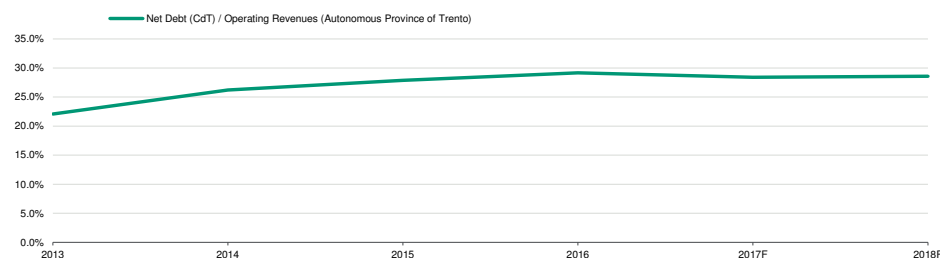
Update following downgrade to Baa1 Stable

### Summary

The credit profile of [Cassa del Trentino SpA \(CdT, Baa1, stable\)](#) takes into account its strategic role as the financial arm of the [Autonomous Province of Trento \(Baa1, stable\)](#), as well as irrevocable annual provincial transfers which fully cover CdT's debt service. We analyse CdT as part of the Autonomous Province of Trento in order to reflect the high level of provincial involvement in its operations and governance, as well as its critical role in effectively managing provincial funds allocated to the local public sector.

#### Exhibit 1

#### Net debt expected to stay low compared to operating revenues of Trento, Autonomous Province



F = Forecasts

Source: Issuer, Moody's

### Credit strengths

- » The Province of Trento's full ownership reflects CdT's complete reliance on the province to fund its operations
- » The Province of Trento's commitment to guarantee all of CdT's funding activities, and to advance liquidity when deemed necessary

### Credit challenges

- » Increased debt exposure, although expected to stabilise

## Rating outlook

The stable rating outlook reflects close institutional, economic and financial links between the entity and its sole shareholder, the Autonomous Province of Trento.

## Factors that could lead to an upgrade

An upgrade of Autonomous Province of Trento's rating would likely lead to an upgrade of Cassa del Trentino S.p.A.'s ratings

## Factors that could lead to a downgrade

A downgrade of the Autonomous Province of Trento's rating would likely lead to a downgrade of Cassa del Trentino S.p.A.'s ratings. Any material change in the statute of Cassa del Trentino S.p.A could also negatively affect its ratings.

## Detailed credit considerations

On 23 October 2018, [we concluded our review and downgraded Cassa del Trentino S.p.A.'s ratings to Baa1/Stable from A3/RUR-](#), following the corresponding action on its support provider (Autonomous province of Trento, rating downgraded to Baa1/STA from A3/RUR-). This reflects the strong institutional links to its sole shareholder, that we expect to provide extraordinary support in the event of distress.

### **The province of Trento's full ownership reflects CdT's complete reliance on the province to fund its operations**

The Province of Trento and CdT are extremely closely inter-related, as reflected in the provincial administration's direct appointment of CdT's board of directors and its complete reliance on the Province of Trento for funding. Although CdT is a private firm that is legally independent from the province, the provincial government approves its strategy, defines its activities and periodically controls its finances. There is a regular operational dialogue between CdT and the province. The institutional framework in which CdT operates is mostly regulated by provincial legislation, as well as by a long-standing convention with the province.

CdT is wholly owned by the Province of Trento and acts as its financial arm. CdT's primary purpose is to manage provincial funds allocated both for capital investments and for distribution to the wider public sector, primarily municipalities. CdT's main strategic role is to fulfil the province's interests by offering an improved and streamlined funding mechanism, given its more efficient management of liquidity and wider public sector debt. The centralisation of the funding mechanism has proven to be economically viable for the province, as indicated by constant returns in terms of savings and tax revenues.

We consider CdT to be a government-related issuer. From a credit-risk profile perspective, it is not meaningful to distinguish between CdT and the Autonomous Province of Trento because of the intrinsic operational and financial ties between the two.

### **The province of Trento's commitment to guarantee all of CdT's funding activities, and to advance liquidity when deemed necessary**

CdT's role continues to evolve through the acquisition of new functions on behalf of the province. CdT has strengthened the liquidity management of provincial funds toward local governments in the province by incorporating the operating transfers of the municipal sector. In addition, CdT acts as a financial advisor to other entities in the wider public sector and plans to expand its activity into public-private partnerships which either the provincial companies or the province itself will implement. Given the off-balance-sheet nature of these projects, we will closely monitor the financial involvement of CdT.

The amount of extraordinary support that CdT would potentially require in the event of distress should be comfortably within the province's financial capacity: the provincial cash at year-end 2016 would fully cover CdT's outstanding debt. Furthermore, CdT benefits from the Province of Trento's commitment to promptly advance liquidity to CdT when deemed necessary.

However, the management has been able to undertake a conservative strategy, which enables CdT to report some profits every year, although CdT is not a profit-making institution.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

### Increased debt exposure, although expected to stabilise

As of year-end 2017, CdT reported outstanding net financial debt of EUR1,091 million - most of which is explicitly guaranteed by the Province of Trento - down from EUR1,283 billion in 2016. The debt comprises notes for EUR745 million, EUR198 million loans from [European Investment Bank \(EIB, Aaa/ STA\)](#), other interest-free loans from the region and province of Trento for EUR89.2 million, loans from the state bank [Cassa Depositi e Prestiti \(Baa3/STA\)](#) for EUR118 million, net of debt repayment accruals for EUR59 million. In 2017 CdT has not concluded any new debt transaction. We expect a further decline in CdT's outstanding debt in 2018.

In 2012-17 CdT took out loans with the European Investment Bank (EIB), for investment purposes; at YE2017 the EIB outstanding debt reached EUR198 million.

We regard all CdT's debt as the province's debt, given the presence of guarantees and irrevocable annuities from the province that fully match all debt-service payments.

### Rating methodology and scorecard factors

For details about our rating approach, please refer to Rating Methodology: [Government Related Issuers](#), 6 June 2018

### Ratings

Exhibit 2

Category	Moody's Rating
<b>CASSA DEL TRENTO S.P.A.</b>	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured MTN -Dom Curr	(P)Baa1

Source: Moody's Investors Service

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