

## CREDIT OPINION

30 October 2019

### 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.

### Contacts

**Nadejda Seu, CFA** +33.1.5330.3415  
 Analyst  
 nadejda.seu@moodys.com

**Massimo Visconti** +39.02.9148.1124  
 VP-Sr Credit Officer/Manager  
 massimo.visconti@moodys.com

**Luca Rossi** +33.1.5330.3390  
 Associate Analyst  
 luca.rossi@moodys.com

### CLIENT SERVICES

Americas 1-212-553-1653  
 Asia Pacific 852-3551-3077  
 Japan 81-3-5408-4100  
 EMEA 44-20-7772-5454

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

## Update to credit analysis

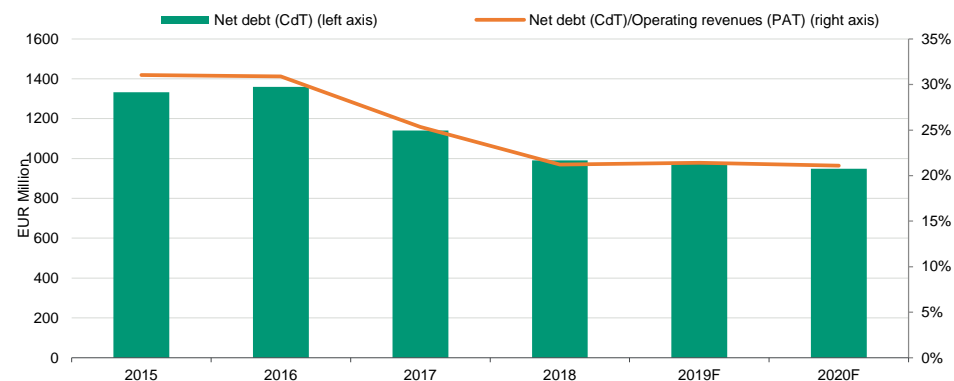
### Summary

The credit profile of [Cassa del Trentino SpA](#) (CdT, Baa1, STA) takes into account its strategic role as the financial arm of the [Autonomous Province of Trento](#) (Baa1, STA), as well as irrevocable annual provincial transfers which fully cover CdT's debt service. We analyse CdT's creditworthiness 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

### We expect CdT's net debt to remain low compared to operating revenues of the Autonomous Province of Trento (PAT)

Net debt (CdT) (EUR million) and Net debt (CdT)/Operating revenues (PAT) (right axis)



F - forecast

Source: Issuer, Moody's Investors Service

### 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

- » Important debt exposure, although expected to decline

## Rating outlook

The stable rating outlook reflects our expectation that CdT's close institutional, economic and financial links with its sole shareholder, the Autonomous Province of Trento will remain unchanged.

## 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

- » Any material change in the statute of Cassa del Trentino S.p.A could negatively affect its ratings.
- » 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.

## Detailed credit considerations

### 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 2018 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.

### Important debt exposure, although expected to decline

As of year-end 2018, CdT reported outstanding net financial debt of EUR990 million - most of which is explicitly guaranteed by the Province of Trento - down from EUR1,140 billion in 2017. The debt comprises notes for EUR549 million, EUR198 million loans from [European Investment Bank](#) (EIB, Aaa, STA), loans from the state bank [Cassa Depositi e Prestiti](#) (Baa3, STA) for EUR95 million and other interest-free loans from the region and province of Trento. In 2018 CdT has not concluded any new debt transaction. We expect a further decline in CdT's outstanding debt in 2019 to around EUR970 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.

### How ESG risks inform our credit analysis of the Cassa del Trentino

We take into account the impact of ESG factors when assessing sub-sovereign issuers' economic and financial strength. In the case of CdT, the materiality of ESG to its credit profile is as follows:

Environmental considerations are not material to CdT's credit profile. Its main environmental risk exposures relate to avalanche and landslide risks. Both are predominantly managed by national authorities, especially in case of emergency (stato di emergenza), therefore the corresponding negative economic and fiscal pressure that could arise on Trento's credit profile is limited.

Social risks are not material to CdT's credit profile. It has exposure to social risks, associated to demographic, labour income and education. Nevertheless these risks are not material for the credit profile, given its strategic role and the support coming from PAT.

Governance considerations are material to CdT's credit profile. The governance framework is intrinsically intertwined with PAT, which exerts strong control over the entity and heavily influences the definition of its strategy.

Further details are provided in the "Detailed credit considerations" section. Our approach to ESG is explained in our cross-sector rating methodology [General Principles for Assessing ESG Risks](#).

### 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
Bkd Senior Unsecured -Dom Curr	Baa1

Source: Moody's Investors Service

© 2019 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJJK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJJK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJJK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJJK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJJK or MSFJ (as applicable) for ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJJK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454