

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

Fitch Ratings-Milan/London-15 July 2015: Fitch Ratings has affirmed Cassa del Trentino's (CdT) Long-term foreign and local currency Issuer Default Ratings (IDRs) at 'A' with a Stable Outlook, and Short-term 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 Autonomous Province of Trento at 'A', Outlook Stable, dated 10 July 2015 on www.fitchratings.com). CdT is credit-linked to PAT under Fitch's 'Rating of Public Sector Entities - Outside the United States' criteria top down-approach, in light of PAT's guarantee of the issuer's liabilities.

KEY RATING DRIVERS

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

As a result of the merger with Tecnofin Trentina in 2013, CdT is wholly owned by PAT and continues to act as its financial arm. CdT's primary purpose is to manage provincial funds for capital investments and for distribution to municipalities, as well as to other not-for-profit entities within PAT's territory.

CdT is tightly integrated within PAT's wider public sector, as mirrored by the direct appointment of CdT's board of directors by PAT's administration, which consequently has a close grip on its strategies and operations. In addition, CdT is fully dependent on PAT for its funding needs, which means it also has extensive control of its finances. If necessary, CdT can access credit lines from PAT's treasury bank (law 4/1975 art. 5) and PAT can advance subsidies (law 7/1979 art. 9 bis).

As with Tecnofin Trentina, CdT may continue to be recognised as the suitable vehicle for implementing a wider provincial public sector reorganisation, incorporating other local entities. In a scenario of a widened perimeter with a larger scope of activities in assisting local economy, CdT may eventually issue additional liabilities, although PAT aims to maintain debt at its current level assisted by its guarantee, or below 10% of regional GDP.

Fitch expects CdT's gross debt to remain in line with 2014 at around EUR1.5bn in the medium term as it continues to support the capital spending of provincial cities and companies. While entirely fixed rate, approximately two-thirds of its debt is of bullet maturity, for which CdT has set aside cash provisions (about EUR387m at end-2014), in accordance with internal policy. In light of the guarantee of its debt transactions Fitch believes CdT would be very likely to receive extraordinary support from its sponsor in case of need, as its total debt outstanding as of 2014, fully covered by PAT's liquidity, represents one-third of PAT's budget size.

Fitch expects CdT's net interest margin to continue remaining stable at EUR16m-EUR18m over the medium term, as lower interest rates offset increased operational activity. Fitch expects net profit to remain around a modest EUR5m, reflecting its 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.

Factors envisaging a dilution of support or a lower degree of integration with PAT which may, individually or collectively, result in negative rating action are:

- An increase in non-guaranteed financial debt towards one-third of the total.
- A change in statute and/or legislative framework weakening its link with the province.

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Additional information is available on www.fitchratings.com

Applicable Criteria

Rating of Public-Sector Entities - Outside the United States (pub. 26 Feb 2015)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=862448

Tax-Supported Rating Criteria (pub. 14 Aug 2012)

https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015

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