

Cassa del Trentino SpA

Update

Key Rating Drivers

Explicit Support, Ratings Equalised: The rating reflects Cassa del Trentino SpA's (CdT) close relationship with the Autonomous Province of Trento (PAT, A/Stable/F1+), its sole shareholder, indicated by strong integration, control and strategic importance for the province. CdT's ratings are equalised with those of its sponsor through the guarantee from PAT on CdT's debt transactions under provincial law 13/1973 art. 8bis. CdT primarily manages provincial funds for capital investments and for distribution to municipalities and other local entities.

Funding from Province: CdT is tightly integrated within PAT's wider public sector, as shown 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. CdT is also 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).

Possibility of Role Widening: CdT may continue to be the vehicle for implementing a wider provincial public sector reorganisation, as with Tecnofin Trentina, incorporating other local entities. If CdT became responsible for more activities supporting the local economy, it may eventually issue additional liabilities, although PAT aims to maintain debt at its current level assisted by its guarantee, or below 10% of provincial GDP.

Medium Term Debt Stabilisation: Fitch expects CdT's gross debt to remain in line with 2014, around EUR1.5bn, in the medium term to support the capital spending of provincial cities and companies. About a third of its debt has bullet maturity – although all fixed rate – for which CdT has set aside cash provisions (about EUR387m at end-2014), in line with internal policy.

Explicit Guarantee, Extraordinary Support: The provincial guarantee of its debt means Fitch believes CdT would be likely to receive extraordinary support from its sponsor if needed. This is also corroborated by the fact that CdT's total debt at end-2014, fully covered by PAT's liquidity, is a third of PAT's budget size.

Continued Stable Results: Fitch expects CdT's net interest margin to remain stable at EUR16m-18m over the medium term, as lower interest rates offset increased operational activity. Fitch expects net profit to remain around a modest EUR5m, reflecting CdT's not-for-profit mission.

Rating Sensitivities

Decline in Support, Integration: CdT is credit-linked to PAT under Fitch's top down-approach under its *Rating of Public Sector Entities – Outside the United States*. Therefore, CdT's ratings mirror PAT's IDRs. Any change in the sponsor's ratings would be reflected in those of CdT.

A dilution of support or a lower degree of integration with PAT indicated by, among other things, an increase in non-guaranteed financial debt towards a third of the total or a change in statute and/or legislative framework weakening its link with the province, may result in negative rating action.

Related Research

[Autonomous Province of Trento \(July 2015\)](#)

[Cassa del Trentino \(August 2014\)](#)

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Appendix A

Cassa del Trentino SpA

(EURm)	2010	2011	2012	2013	2014
Profit and Loss					
Interest Revenue	43.5	43.3	56.7	62.8	67.1
Interest Expenditure	-32.8	-34.6	-42.5	-46.7	-51.6
Net Interest Income	10.7	8.7	14.2	16.1	15.5
Net Fees and Commissions	0.0	0.0	0.0	0.0	0.0
Other Operating Income	7.4	6.7	0.0	0.0	1.3
Personal Expenses	-1.1	-1.3	-1.4	-1.5	-2.1
Other Operating Expenses	-0.3	-0.4	-0.4	-0.5	-0.6
Net Gains and Losses on Securities and Trading	0.0	0.0	0.0	0.0	0.0
Net Operating Income/ (Loss)	16.7	13.7	12.4	14.1	14.1
Provisions	0.0	0.0	0.0	0.0	-1.3
Operating Profit (loss) after Provisions	16.7	13.7	12.4	14.1	12.8
Other Non Operating Revenues/Expenses	0.0	0.0	0.0	0.0	-0.7
Contributions from State Budgets	0.0	0.0	0.0	0.0	0.0
Profit (loss) Before tax	16.7	13.7	12.4	14.1	12.1
Taxation	-6.0	-5.9	-6.4	-8.9	-6.5
Net Profit (Loss)	10.7	7.8	6.0	5.2	5.6
Balance Sheet					
Assets					
Cash and Cash Equivalents	257.3	320.6	224.2	326.0	373.0
Liquid Securities	41.6	0.0	20.3	20.6	31.0
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	1,019.9	1,078.9	1,259.9	1,440.0	1,703.0
Long term Investments	62.4	62.3	138.4	134.1	133.3
Fixed Assets	0.1	0.1	0.1	7.5	6.8
Intangible	0.0	0.0	0.0	0.0	0.0
Other Long-term Assets	0.1	3.2	0.3	48.8	47.5
Total Assets	1,381.4	1,465.1	1,643.2	1,977.0	2,294.6
Liabilities & Equity					
Customer Deposits	0.0	0.0	0.0	-	0.0
Deposits from Banks	0.0	0.0	0.0	-	0.0
Short term Borrowing	0.0	0.0	0.0	-	0.0
Other Short term Liabilities	599.6	564.1	429.1	556.5	636.4
Debt Maturing after 1 year	742.1	857.1	1,166.8	1,304.0	1,532.2
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	4.6	3.0	5.1	5.4	6.6
Equity	7.6	7.6	7.6	52.6	52.6
Reserves	27.5	33.4	34.9	58.5	66.8
Total Liabilities & Equity	1,381.4	1,465.2	1,643.5	1,977.0	2,294.6

Memo:

Guarantees and Other Contingent Liabilities	-	-	-	2.3	-
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Source: Issuer and Fitch calculations

Related Criteria

[Rating of Public-Sector Entities - Outside the United States \(February 2015\)](#)

[Tax-Supported Rating Criteria \(August 2012\)](#)

Appendix B

Cassa del Trentino SpA

	2010	2011	2012	2013	2014
Ratios					
Performance					
Interest Revenue on Loans/Loans (%)	-	-	-	-	-
Interest Expense/Borrowings and Deposits (%)	4.42	4.04	3.64	3.58	3.37
Net Interest Income /Earning Assets (%)	0.81	0.62	0.94	0.9	0.74
Net Operating Income/Net interest Income and Other Oper. Revenue (%)	92.27	88.96	87.32	87.58	83.93
Net Operating Income/ Equity and Reserves (%)	47.58	33.41	29.18	12.69	11.81
Net Operating Income/ Total Assets (%)	1.21	0.94	0.75	0.71	0.61
Credit					
Growth of Total Assets (%)	9.4	6.06	12.16	20.31	16.06
Growth of Loans (%)	-	-	-	-	-
Impaired Loans/Total Loans (%)	-	-	-	-	-
Reserves for Impaired Loans/ Impaired Loans (%)	-	-	-	-	-
Loan Impairment Charges/ Loans (%)	-	-	-	-	-
Liquidity and Funding					
Long term Debt/Total Equity and Reserves (%)	2114.25	2090.49	2745.41	1173.72	1283.25
Liquid Assets/Total Assets (%)	21.64	21.88	14.88	17.53	17.61
Total Deposits and Debt/Total Assets (%)	53.72	58.5	71.01	65.96	66.77
Liquid Assets/Short term Deposits and Borrowing (%)	-	-	-	-	-
Capitalization					
Equity and Reserves/Total Assets (%)	2.54	2.8	2.59	5.62	5.2
Net profit/Total Equity and Reserves (%)	30.48	19.02	14.12	4.68	4.69
Loans/Equity and Reserves (%)	0	0	0	0	0
Regulatory Capital Adequacy Ratio (%)	-	-	-	-	-
n.a.: not available					
Source: Issuer and Fitch calculations					

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