

CREDIT OPINION

20 December 2024

Update



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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)

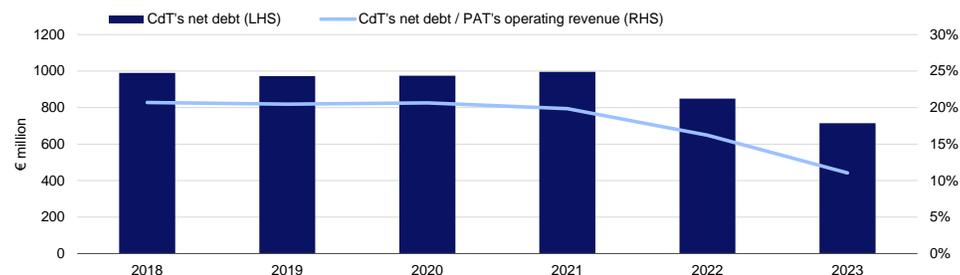
Update to credit analysis

Summary

The credit profile of [Cassa del Trentino SpA](#) (CdT, Baa1 stable) reflects its strong institutional links with its sole shareholder - the [Autonomous Province of Trento](#) (PAT or the province, Baa1 stable) - and operational ties based on a long-term convention, which defines CdT's activities and resources. CdT plays a strategic role as PAT's financial arm. Its financial debt is largely guaranteed by the province, which provides irrevocable annual transfers to cover CdT's debt service. The rating also factors in CdT's moderate debt burden, which may increase depending on PAT's borrowing needs. Given these features, we consider that there is no significant distinction between CdT and the Autonomous Province of Trento from a credit risk perspective.

Exhibit 1

CdT's net debt is moderate and contingent upon PAT's borrowing requirements



Source: Cassa del Trentino S.p.A., Autonomous Province of Trento and Moody's Ratings

Credit strengths

- » Strong institutional links with its sole shareholder, the Autonomous Province of Trento
- » Very high likelihood that the Autonomous Province of Trento would provide extraordinary support to CdT in the event of financial distress

Credit challenges

- » Moderate debt exposure

Rating outlook

The stable outlook reflects the stable outlook on the Autonomous Province of Trento (PAT). It also reflects CdT's regulatory framework and PAT's support expected to remain unchanged over the medium-term.

Factors that could lead to an upgrade

The strengthening of PAT's credit profile, as reflected by an upgrade of its rating, would exert upward pressure on CdT's ratings.

Factors that could lead to a downgrade

Negative pressure on the ratings could be exerted by one or a combination of the following: a weakening of CdT's regulatory framework or a weakening of PAT's support. Additionally, a downgrade of PAT's rating would also exert downward pressure on CdT's ratings.

Detailed credit considerations

We consider Cassa del Trentino S.p.A. to be a government-related issuer (GRI) of the Autonomous Province of Trento. In terms of credit risk, there is no significant distinction between CdT and the Autonomous Province of Trento because of the intrinsic strategic, operational and financial ties between the two entities. Therefore, CdT's rating is based solely on support, as outlined by the [Government-Related Issuers](#) rating methodology. Its rating and outlook mirror those of the Autonomous Province of Trento, CdT's support provider.

Strong institutional links with its sole shareholder, the Autonomous Province of Trento

CdT's strong ties with its shareholder are reflected in its governance. PAT owns 100% of CdT's shares and appoints all the members of CdT's board of directors. Although CdT is a private firm 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 primarily regulated by the provincial legislation and by a long-standing convention with the province.

CdT is the financial arm of PAT, playing a strategic role in supporting and implementing the provincial government's financial strategy. Its mandate includes coordinating and providing financial resources for public investments within the provincial public system. CdT assists PAT and the provincial public sector in accessing financial debt, monitoring provincial consolidated public debt levels, managing liquidity efficiently, and distributing transfers on behalf of PAT to local governments and other beneficiaries. Over time, CdT's role has evolved, acquiring new functions on behalf of the province.

Very high likelihood that the Autonomous Province of Trento would provide extraordinary support to CdT in the event of financial distress

CdT's activities and services are based on a long-term multiyear convention with PAT, which also defines the resources to finance them. The vast majority of CdT's financial debt is guaranteed by PAT, which also finances the annuities with specific transfers. Given these elements and the strategic role of CdT for PAT, the full ownership by the province, the close and enduring alignment of interest and objectives, and PAT's strong oversight on CdT, we expect that PAT would provide extraordinary support to CdT in the event of financial distress. Therefore, we regard all of CdT's debt as the province's debt.

The amount of extraordinary support that CdT might need in case of distress should be comfortably within the province's financial capacity. PAT has excellent financial performance, and its year-end cash would fully cover CdT's outstanding debt.

Over the years, CdT has demonstrated strong financial performance, a trend expected to continue in 2024. In 2023, the issuer reported a net income of €22.8 million, up from €13.5 million in 2022. This increase is driven by rising interest income, resulting from CdT's active liquidity management. Furthermore, CdT's equity grew to €148 million in 2023 from €124 million in 2022. This growth is partly due to a capital increase through the conversion of zero-interest loans from PAT and the significant rise in net income for 2023.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Available liquidity also increased to €270 million from €179 million, boosted by the return on investments in financial instruments as part of liquidity optimization.

Moderate debt exposure

As of year-end 2023, CdT reported a net financial debt of €714 million, down from €874 million in 2022. Of this debt, 91% is explicitly guaranteed by the province.

CdT's financial debt comprises €252 million in notes, €289 million in loans from the [European Investment Bank](#) (EIB, Aaa stable), €106 million in loans from the Italian state-owned bank [Cassa Depositi e Prestiti](#) (Baa3 stable), and a €123 million interest-free loan from the region Trentino-Alto Adige. All debt is amortizing, except for a €75 million bond. CdT sets aside resources annually for the repayment of this bond at maturity, with the provision amounting to €56 million in 2023.

The trend of decreasing debt is expected to continue in 2024-25, with CdT planning to take on little to no new borrowings in 2025. However, the continuation of this trend will depend on PAT's borrowing needs.

ESG considerations

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. Performing the role of financial arm of PAT, CdT likely contributes to PAT's investments aiming to preserve natural landscape and address climate-related risks. This strategy enhances the attractiveness of the territory and drives material economic benefits for the province.

Social risks are not material to CdT's credit profile. CdT benefits from the provincial strong economy with high GDP per capita, a dynamic labor market and solid economic growth. It has some exposure, albeit limited, to demographic risks and notably aging population, which are mitigated by PAT's proactive policies in favor of births and territory attractiveness.

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 influences the definition of its strategy. CdT's management practices are solid with a high degree of transparency and disclosure.

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

Rating methodology and scorecard factors

For details about our rating approach, please refer to our [Government-Related Issuers](#) rating methodology, published on 25 January 2024.

Ratings

Exhibit 2

Category	Moody's Rating
CASSA DEL TRENINO S.P.A.	
Outlook	Stable
Issuer Rating	Baa1
Bkd Senior Unsecured -Dom Curr	Baa1

Source: Moody's Ratings

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