FitchRatings

RATING ACTION COMMENTARY

Fitch Upgrades Autonomous Province of Trento to 'A-' on Sovereign Rating Action, Outlook Stable

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Fitch Ratings - Milan - 15 Dec 2021: Fitch Ratings has upgraded the Autonomous Province of Trento's (PAT) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) to 'A-' from 'BBB+'. The Outlooks are Stable. A full list of rating actions is below.

Under EU credit rating agency (CRA) regulation, the publication of sovereign (including by CRA definition regional or local authorities of a state) reviews is subject to restrictions and must take place according to a published schedule, except where it is necessary for CRAs to deviate from this in order to comply with the CRA's obligation to issue credit ratings based on all available and relevant information and disclose credit ratings in a timely manner.

Fitch interprets this provision as allowing it to publish a rating review in situations where there is a material change in the creditworthiness of the issuers that we believe makes it inappropriate for us to wait until the next scheduled review dates to update the ratings or Outlook/Watch status. Fitch's next scheduled review date of PAT will take place in 1H22 but Fitch believes that developments in PAT warrant such a deviation from the calendar and our rational for this is set out in the first part (high weight factor) of the Key Rating Drivers section below.

KEY RATING DRIVERS

The upgrade of PAT's IDRs follows the upgrade of the Italian sovereign to 'BBB' on 3 December 2021, as PAT's ratings are constrained at two notches above the sovereign ratings. The Stable Outlooks reflects that on the sovereign's ratings.

The derivation of PAT's 'aaa' Standalone Credit Profile (SCP) is unaffected by the rating action.

For individual key rating drivers see the latest published rating action commentary on PAT at www.fitchratings.com.

DERIVATION SUMMARY

PAT's 'aaa' SCP reflects a combination of a 'High-Midrange' risk profile and 'aaa' debt sustainability metrics.

PAT's IDRs are constrained at two notches above the sovereign's ratings, reflecting the region's financial autonomy, strong economy and protective constitutional provision requiring consent for change in revenue or responsibilities. The IDRs also reflect potential interference in PAT's finances by the state in case of sovereign or macroeconomic stress

PAT's Short-Term 'F1' IDR is the higher of two options mapping to a 'A-' Long-Term IDR. This is backed by a short-term liquidity coverage ratio (Fitch-calculated unrestricted cash and operating balance/debt service) estimated around 5x on average in 2021-2022, 'Stronger' debt robustness and 'Midrange' debt flexibility.

KEY ASSUMPTIONS

Qualitative assumptions and assessments and their respective change since the last review on 29 October 2021 for PAT and weight in the rating decision:

Risk Profile: High Midrange/unchanged with low weight

Revenue Robustness: Stronger/unchanged with low weight

Revenue Adjustability: Stronger/unchanged with low weight

Expenditure Sustainability: Midrange/unchanged low weight

Expenditure Adjustability: Stronger/unchanged with low weight

Liabilities and Liquidity Robustness: Stronger/unchanged with low weight

Liabilities and Liquidity Flexibility: Midrange/unchanged with low weight

Debt sustainability: 'aaa' category/unchanged with low weight

Support (Budget Loans): N/A, unchanged with low weight

Support (Ad Hoc): N/A, unchanged with low weight

Asymmetric Risk: N/A, unchanged with low weight

Sovereign Cap: A-, raised with high weight

Sovereign Floor: N/A

Quantitative assumptions - issuer-specific: Unchanged with low weight

Fitch's rating case scenario is a "through-the-cycle" scenario, which incorporates a combination of revenue, cost and financial risk stresses. It is based on the 2016-2020 figures and 2021-2025 projected ratios. For individual, issuer-specific quantitative assumptions see the latest published rating action commentary on PAT at www.fitchratings.com.

Quantitative assumptions - sovereign-related (note that no weights and no changes are included as none of these assumptions were material to the rating action)

Figures as per Fitch's sovereign actual for 2020 and forecast for 2022, respectively:

-GDP per capita (US dollar, market exchange rate): 31,169; 36,474

-Real GDP growth (%): -8.9; 4.3

-Consumer prices (annual average % change): -0.1; 2.1

-General government balance (% of GDP): -9.6; -5.5

-General government debt (% of GDP): 155.6; 151.6

-Current account balance plus net FDI (% of GDP): 3.1; 2.3

- Net external debt (% of GDP): 57.7; 48.8

-IMF Development Classification: DM (Developed Markets)

-CDS Market-Implied Rating: 'BBB'

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

As PAT's IDRs are constrained by the Italian sovereign ratings, positive changes to Italy's IDRs would be mirrored in PAT's ratings.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Negative action on the sovereign's ratings will be mirrored on PAT's IDRs

PAT's Long-Term IDRs could be downgraded if debt payback deteriorates towards eight years on a sustained basis in our rating case. This would lead to a multiple-notch downward revision of PAT's SCP and subsequently a smaller leeway above the sovereign's ratings.

COMMITTEE MINUTES SUMMARY

Committee date: 14 December 2021

There was an appropriate quorum at the committee and the members confirmed that they were free from recusal. It was agreed that the data was sufficiently robust relative to its materiality. During the committee no material issues were raised that were not in the original committee package. The main rating factors under the relevant criteria were discussed by the committee members. The rating decision as discussed in this rating action commentary reflects the committee decision

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

PAT's ratings are linked to the Italian sovereign's ratings.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Trento, Autonomous Province of	LT IDR	A- Rating Outlook Stable	Upgrade	BBB+ Rating Outlook Stable
	ST IDR	F1	Affirmed	F1

LC LT IDR	A- Rating Outlook Stable	BBB+ Rating Outlook Stable
Upgrade		

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

International Local and Regional Governments Rating Criteria (pub. 03 Sep 2021) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

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