

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings takes actions on 24 sub-sovereign entities after Italy's sovereign action**

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27 May 2025

Paris, May 27, 2025 -- Moody's Ratings (Moody's) has today changed the outlooks on 24 Italian sub-sovereign entities; 20 Italian regional and local governments (RLGs) and 4 government related issuers (GRIs), and affirmed their ratings and Baseline Credit Assessments (BCA).

The rating actions follow the action taken on the Government of Italy (Baa3 positive) on 23 May 2025. The outlook on Italy's rating was changed to positive from stable and the Baa3 ratings were affirmed. For further information on the sovereign rating action, please refer to our press release published on 23 May 2025: <https://ratings.moodys.com/ratings-news/443689>.

Please click on this link [https://www.moodys.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL507045](https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL507045) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

#### RATINGS RATIONALE

#### RATIONALE FOR CHANGING THE OUTLOOKS TO POSITIVE FROM STABLE FOR 24 SUB-SOVEREIGN ENTITIES AND AFFIRMING THEIR RATINGS

##### --Regional and local governments

The decision to change the outlooks of 20 RLGs to positive from stable, mirrors our change of the Italian government's outlook and reflects Italian RLGs' close institutional, operational, and financial linkages with the central government.

We expect that the sovereign's improved fiscal performance, underpinned by a stable political environment and positive labor market dynamics, will enhance the operating environment for sub-sovereigns. In particular, predictable state transfers and solid regional tax revenues will support ongoing fiscal consolidation and contribute to gradual debt reduction. We also expect Italian RLGs to maintain sound financial performance, supported by continued budgetary discipline and robust central oversight mechanisms.

The affirmation of the ratings and Baseline Credit Assessments (BCAs) for Italian RLGs reflects the sector's robust institutional framework, resilient operating performance, and overall low and declining debt levels. Debt structures are simple and manageable with no refinancing risks, which ensure visibility on their interest expenses evolution.

Italian RLGs remain structurally reliant on the central government for funding, particularly in the areas of healthcare and capital investment. Approximately 65-75% of operating revenue for ordinary status regions is derived from healthcare-related transfers and shared tax revenue. The central government exerts a strong influence on RLGs' policies and operations by defining fiscal consolidation targets, regulating risk exposure, and overseeing financial performance. This regulatory framework ensures a high degree of alignment between sovereign and sub-sovereign fiscal strategies.

The financial interdependence between the sovereign and RLGs is further evidenced by the consistent support provided during periods of economic stress. The central government, either

directly or through its publicly owned development bank Cassa Depositi e Prestiti S.p.A. (Baa3 positive), remains by far the primary lender to the RLG sector.

Ratings across the RLG sector range from Baa1 (Autonomous Provinces of Bolzano and Trento) to Ba1 (several RLGs), reflecting variations in financial performance, autonomy, economic strength, budgetary flexibility, and governance standards. Entities rated above the sovereign include special status regions with broader legislative and financial autonomy, minimal borrowing needs, and substantial cash reserves.

RLGs rated at par with the sovereign typically exhibit sound governance, solid financial metrics, and declining debt burdens. Conversely, those rated below the sovereign are characterized by moderate to high debt levels, adequate but constrained budgetary performance, and greater exposure to local economic conditions and healthcare-related expenditures.

#### --Government-related issuers

The decision to change the outlooks of 4 GRIs to positive from stable, and to affirm their ratings mirrors the corresponding decision on their respective owners. MM S.p.A.'s long-term issuer and senior secured ratings at Baa3 derive from the City of Milan's rating (Baa3 positive), Cassa del Trentino S.p.A.'s long-term issuer and backed senior unsecured ratings at Baa1, and Patrimonio del Trentino S.p.A.'s long-term issuer rating derive from the Autonomous Province of Trento (Baa1 positive). From a credit risk perspective, there is no meaningful distinction between these GRIs and their respective owners because of the tight institutional and operational linkages between them.

#### --RAI - Radiotelevisione italiana S.p.A.

The change in RAI's outlook to positive from stable mirrors the change of the sovereign's outlook and reflects the close institutional and financial linkages between RAI and the central government.

RAI is majority-owned (99.56%) by the Italian Ministry of Economy and Finance and operates under a multi-year concession and service contract agreement with the central government. The company fulfills a public policy mandate as Italy's national public service broadcaster. The central government plays a critical role in defining RAI's strategic direction, setting license fees, and overseeing its operational and financial performance.

The affirmation of RAI's Baa3 issuer rating and ba1 BCA reflect its stable regulatory environment, predictable license fee revenues, and public service role in Italy. These strengths are balanced by media sector competition, requiring ongoing investment to maintain relevance.

While RAI's public mandate supports revenue stability and potential sovereign backing, it limits profitability and may increase borrowing needs. The ratings incorporate a one-notch uplift from the BCA, reflecting our assessment of a strong likelihood of extraordinary support from the Government of Italy in the event of financial distress.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

#### --Regional and local governments

Environmental, Social, and Governance (ESG) factors are incorporated into our assessment of Italian Regional and Local Governments (RLGs) through the application of the ESG Credit Impact Score (CIS) framework. Overall, ESG considerations have a limited or moderately negative impact on the credit quality of most Italian RLGs, with a few entities benefiting from positive governance-related factors.

Environmental risks are generally assessed as moderate (E-3) across the RLG sector, primarily due to physical climate risks such as extreme weather events, which may adversely affect the revenue base, constrain investment, and exert pressure on local budgets. The City of Venice is more exposed (E-4) due to its heightened vulnerability to sea level rise and extreme weather, stemming from its geographic location. Also, the Autonomous Region of Sicily environmental

issuer profile score (E-4) reflects its exposure to physical climate risks, compounded by an aging water infrastructure and high reliance on the primary sector for water withdrawals.

Social risks primarily arise from demographic trends, including population ageing and, in some regions, depopulation, as well as from structurally weak labor markets and income levels. For Abruzzo, Basilicata, Campania, Molise, Puglia, Sardinia, and Sicily, social risks are greater (S-3 or S-4) compared to the other RLGs due to weaker socioeconomic profiles.

Governance considerations are generally supportive of credit quality. Italian RLGs benefit from a mature institutional framework and strong central government oversight, which underpin prudent financial management and a low risk appetite. Governance and management practices are typically assessed as either neutral (G-2) or positive (G-1) in their credit impact. The Metropolitan city of Roma Capitale is the only exception, with a moderately weaker institutional structure contributing to a more negative governance assessment (G-3).

Overall, ESG Credit Impact Scores for Italian RLGs range from CIS-1 to CIS-3, with most entities falling into the CIS-2 or CIS-3 categories, reflecting either immaterial or moderately negative ESG credit impacts.

--Government related issuers

We take account of the impact of environmental (E), social (S) and governance (G) factors when assessing sub-sovereign issuers' economic and financial strength. In the case of government related issuers, the materiality of ESG to its credit profile is as follows:

Cassa del Trentino S.p.A. and Patrimonio del Trentino S.p.A.

Environmental considerations are not material to either entity's credit profile.

Social risks are not material to either entity's credit profile.

Governance considerations are material to either entity' credit profile. The governance framework is intrinsically intertwined with the Autonomous Province of Trento (PAT), which exerts strong control over the entities and influences the definition of their strategy.

MM S.p.A.

Environmental considerations are material to MM's credit quality. MM is moderately exposed to physical climate risks and water management, notably as an integrated water services provider.

Social considerations are material to MM's credit quality. Public concern over environmental, social or affordability issues could lead to adverse regulatory or political intervention, similar to that faced by other regulated network operators.

Governance considerations are material to MM's credit quality. The governance framework is intrinsically linked with that of its supporting shareholder (the City of Milan), which exercises strong control over the entity and determines its strategy.

RAI - Radiotelevisione italiana S.p.A.

ESG considerations have a limited impact on the ratings (CIS-3) with potential for greater negative impact over time. The nature of its media and entertainment activities, with limited exposure to physical climate risk and very low emissions of pollutants and carbon, results in low environmental risk (E-2).

RAI has material exposure to social considerations (S-4). It faces risk from social and demographical trends associated with rapid and structural changes in the media landscape towards television consumption through direct-to-consumer subscription-video-on-demand services, provided by large over-the-top (OTT) platforms.

RAI has some exposure to governance considerations (G-3). The main risk is related to the

company's highly concentrated ownership structure. On the other hand, since RAI fulfills a government policy mandate, it benefits from close governance oversight, early intervention and ongoing support.

#### PUBLICATION OF RATING ACTIONS ON REGIONAL AND LOCAL GOVERNMENTS

The change of outlook to positive from stable and the affirmation of the Italian sovereign issuer and bond ratings on 23 May 2025 prompted the publication of this credit rating action on Italian regional and local governments on a date that deviates from the previously scheduled release date in the sovereign release calendar, published on <https://ratings.moodys.com>.

#### ECONOMIC DATA

The specific economic indicators, as required by EU regulation, are not available for these entities. The following national economic indicators are relevant to the sovereign rating, which was used as an input to this credit rating action.

Sovereign Issuer: Italy, Government of

GDP per capita (PPP basis, US\$): 59,265 (2023) (also known as Per Capita Income)

Real GDP growth (% change): 0.7% (2023) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 0.5% (2023)

Gen. Gov. Financial Balance/GDP: -7.2% (2023) (also known as Fiscal Balance)

Current Account Balance/GDP: 0.1% (2023) (also known as External Balance)

External debt/GDP: 121.7% (2023)

Economic resiliency: a3

Default history: No default events (on bonds or loans) have been recorded since 1983.

#### SUMMARY OF MINUTES FROM RATING COMMITTEE

On 22 May 2025, a rating committee was called to discuss the rating of the Abruzzo, Region of; Basilicata, Region of; Campania, Region of; Cassa del Trentino S.p.A.; Liguria, Region of; Lombardy, Region of; Molise, Region of; Patrimonio del Trentino S.p.A.; Puglia, Region of; RAI - Radiotelevisione italiana S.p.A.; Sardinia, Autonomous Region of; Sicily, Autonomous Region of; Trento, Autonomous Province of; Venice, City of; Bolzano, Autonomous Province of; Friuli Venezia Giulia, Autonomous Region of; Lazio, Region of; MM S.p.A.; Milan, City of; Piedmont, Region of; Roma Capitale, Metropolitan city of; Umbria, Region of; Valle d'Aosta, Autonomous Region of; Veneto, Region of. The main point raised during the discussion was: The systemic risk in which the issuer operates has materially decreased.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

--Regional and local governments

We could raise the ratings on Italian RLGs if the sovereign rating is upgraded and the positive fiscal and governance trends are sustained at the sub-sovereign level, particularly on those ratings currently on par or above the sovereign. In addition, upward pressure would develop on sub-sovereigns currently rated below the sovereign, if their governance and financial performance were to continue to improve consistently.

A weakening in sovereign credit quality or a reversal in fiscal consolidation efforts could lead to a return to stable outlooks. A downgrade of Italy's sovereign rating or indications of weakening government support for the Italian sub-sovereigns, or a deterioration in their financial performance, would exert downward pressure on the ratings.

--Government-related issuers

The ratings of Cassa del Trentino S.p.A. and Patrimonio del Trentino S.p.A., as well as MM S.p.A. could be upgraded following an upgrade of their owners, the Autonomous Province of Trento and the City of Milan respectively.

A downgrade of the owners' ratings or a weakening of their support would likely lead to a downgrade of the ratings.

--RAI - Radiotelevisione italiana S.p.A.

The strengthening of Italy's credit profile, as reflected by an upgrade of the sovereign rating, will exert upward pressure on RAI's ratings, provided that RAI's institutional framework and central government support will remain unchanged and RAI displays a sound financial performance.

A downgrade of Italy's sovereign rating or indications of weakening government support could lead to a downgrade of RAI's ratings. Additionally, downward pressure on the ratings could also arise from one or a combination of the following: a material and sustained deterioration in the financial performance; a large increase in debt levels; a marked and sustained deterioration in liquidity metrics.

#### PRINCIPAL METHODOLOGIES

The principal methodology used in rating Abruzzo, Region of, Basilicata, Region of, Campania, Region of, Liguria, Region of, Lombardy, Region of, Molise, Region of, Puglia, Region of, Sardinia, Autonomous Region of, Sicily, Autonomous Region of, Trento, Autonomous Province of, Venice, City of, Bolzano, Autonomous Province of, Friuli Venezia Giulia, Autonomous Region of, Lazio, Region of, Milan, City of, Piedmont, Region of, Roma Capitale, Metropolitan city of, Umbria, Region of, Valle d'Aosta, Autonomous Region of and Veneto, Region of was Regional and Local Governments published in May 2024 and available at <https://ratings.moody.com/rmc-documents/421891>. The principal methodology used in rating Cassa del Trentino S.p.A., Patrimonio del Trentino S.p.A. and MM S.p.A. was Government-related Issuers published in May 2025 and available at <https://ratings.moody.com/rmc-documents/443641>. The principal methodologies used in rating RAI - Radiotelevisione italiana S.p.A. were Nonprofit Organizations (Other Than Healthcare and Higher Education) published in August 2024 and available at <https://ratings.moody.com/rmc-documents/426426> and Government-related Issuers published in May 2025 and available at <https://ratings.moody.com/rmc-documents/443641>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of these methodologies.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

#### REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are a mix of solicited and unsolicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moody.com>. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link [https://www.moody.com/viewresearchdoc.aspx?docid=PBC\\_ARFTL507045](https://www.moody.com/viewresearchdoc.aspx?docid=PBC_ARFTL507045) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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