

## FITCH DOWNGRADES ITALIAN SUBNATIONALS & PSES

Fitch Ratings-London/Milan-13 March 2013: Fitch Ratings has downgraded Italian local and regional governments and their debts and public sector entities (PSEs). The Outlook on the Long-term ratings of most of the issuers is Negative.

### KEY RATING DRIVERS

The majority of ratings have been downgraded by one notch, in parallel with the Italian sovereign whose Long-term Issuer Default Rating (IDR) was downgraded to 'BBB+/-Negative' from 'A-/-Negative' on 8 March 2013 (see 'Fitch Downgrades Italy to 'BBB+/-'; Outlook Negative' at [www.fitchratings.com](http://www.fitchratings.com)). The rating actions reflect the application of the agency's "International Local and Regional Governments Rating Criteria outside United States", dated 17 August 2012, according to which subnationals' ratings cannot usually be higher than their sovereign.

Subnationals that meet the conditions for a rating above the sovereign, as outlined in "Rating Subnationals above the Sovereign - outside the United States" dated 2 May 2012, have also been downgraded. Four of them (the autonomous regions of Valle d'Aosta and Friuli and the autonomous provinces of Bolzano and Trento) have been downgraded by two notches, consistent with the criteria according to which when the sovereign's rating falls towards sub-investment grade, the uplift may be reduced from the maximum of three notches to reflect the risk of intensification of the level of macroeconomic stress that may weaken the degree of intergovernmental predictability.

The ratings of these four issuers continue to be supported by strong socio-economic indicators - evidenced by GDP per capita at about 125% of the EU average and employment and unemployment rates around 70% and 5% (Italy 57% and 11%), respectively. These features should continue to support the resilience of their budgetary performance as the impact of the recession should be milder than Italy, whose GDP contracted by 2.4% in 2012 and is expected by Fitch to shrink by 1.8% in 2013 followed by a modest 0.6% growth in 2014.

The Region of Lazio has also been downgraded by two notches in anticipation of an intensification of budgetary challenges over the next one/two years compounding risks stemming from high levels of debt and fund balance deficit. Prolonged economic weakness may drag Lazio's operating performance in negative territory from the 5% surplus anticipated by Fitch in September 2012. The Region of Piemonte has been downgraded to maintain the one-notch difference with the sovereign to reflect weak debt service culture following its decision to renege on swap commitments (see 'Fitch Affirms Region of Piemonte at 'BBB+/-'; Outlook Negative' dated 17 September 2012).

The city of Naples has been downgraded by one notch in anticipation of a material increase of debt. Within the framework of a recovery plan, Naples may eventually be granted a state loan up to EUR300m to partly finance its fund balance deficit as opposed to Fitch's previous expectations of a stock of bonds and loans stabilising at around EUR1.6bn over the 2013-2014 (see 'Fitch Downgrades Italian City of Naples to 'BBB'; Negative Outlook' dated 30 July 2012). The ratings of the regions of Calabria and Sicily and the Provinces of Pescara and Brescia have been affirmed as they remain unaffected by the downgrade of the sovereign rating. However, the Outlook on Brescia has been revised to Negative from Stable.

The Province of Catania has been downgraded and placed on Rating Watch Negative (RWN) and the City of Rome has been downgraded and maintained on RWN. Fitch expects to resolve the RWN over the next few months. For Catania, the review will focus on the region of Sicily's proposal to abolish provinces in its territory, in which case the rating of Catania's debt may be equalised with that of the region if provincial liabilities are taken over by Sicily. For Rome, the analysis will focus on the city's liquidity and means to restore operating surplus following anticipated inaction of the outgoing administration which faces election in May 2013 (see 'Fitch Places Italy's City of Rome on Rating Watch Negative' dated 31 January 2013).

The city of Taranto's ratings have been affirmed at 'RD' as the issuer continues to service outstanding loans of about EUR50m, while paying no interest or principal on the EUR250m bond issued in 2004, EUR230m of which is still outstanding.

Eleven PSEs owned by Italy's sovereign or subnational governments have been downgraded by one or two notches following the application of the Agency's methodology "Rating of Public Sector Entities - Outside the United States" dated 4 March 2013. According to this, dependent entities are not usually rated above the owner (sponsor) and non-dependent entities are rated primarily in consideration of their standalone profile. The ratings of Turin's social housing agency ATC and the water company Acquedotto Pugliese are unaffected by the sovereign downgrade and have been affirmed as their standalone performance remains in line with Fitch's expectations (see 'Fitch Affirms Italian ATC Torino at 'BBB+'; Outlook Negative' dated 6 December 2012 and 'Fitch Affirms AQP SpA at 'BBB-'; Off RWN; Outlook Negative' dated 21 December 2012). ASAM's rating has been maintained at a one-notch difference with its sponsor, the Province of Milan.

The credit export insurance company, Sace's 'A-' rating has been placed on RWN. The review will focus on the expected evolution of profitability, eventual changes in the capital structure and in its governance following its acquisition by Cassa Depositi and Prestiti from the Italian state in December 2012. Although its rating is not constrained by Cassa Depositi and Prestiti or Italy's sovereign rating, Sace's Long-term ratings, which primarily reflect its standalone profile, are unlikely to exceed a one-notch difference with Italy's sovereign rating. This is in light of its exposure to sovereign risk via the concentration of the securities portfolio and the ultimate guarantee on the insurance portfolio (see 'Fitch Affirms Italy's SACE at 'A-'; Negative Outlook' dated 18 October 2012).

#### RATING SENSITIVITIES

All ratings, except Taranto, remain sensitive to sovereign downgrade (for more details on the sensitivities of the sovereign rating, please see the rating action commentary from 8 March 2013). Ratings of local and regional governments and PSEs remain sensitive to changes in their financial performance and support from the national or local governments.

The rating actions are as follows:

##### Autonomous Province of Bolzano

Long-term foreign and local currency ratings downgraded to 'A' from 'AA-'; Negative Outlook

Short-term rating downgraded to 'F1' from 'F1+'

Primary analyst: Danilo Quattromani

Secondary analyst: Raffaele Carnevale

##### Autonomous Region of Friuli Venezia Giulia

Long-term foreign and local currency ratings downgraded to 'A' from 'AA-'; Negative Outlook

Short-term rating downgraded to 'F1' from 'F1+'

Primary analyst: Raffaele Carnevale

Secondary analyst: Marco Bonsanto

##### Autonomous Province of Trento

Long-term foreign and local currency ratings downgraded to 'A' from 'AA-'; Negative Outlook

Short-term rating downgraded to 'F1' from 'F1+'

Primary analyst: Danilo Quattromani

Secondary analyst: Raffaele Carnevale

The Long-term local currency ratings of the following issues have been downgraded to 'A-' from 'A+' as they are credit-linked to the Province of Trento:

University of Trento's EUR43.7m amortising fixed-rate notes due in 2015 (ISIN: IT0003976971)

Trentino Trasporti's EUR33.6m amortising fixed-rate notes due in 2014 (ISIN: IT0003794127)

Garda Trentino Fiere's EUR15m bullet fixed-rate notes (now Patrimonio del Trentino) - due in 2016 (ISIN: IT0004051436)

Itea's EUR49.9m amortising fixed-rate notes due in 2015 (ISIN: IT0003794572)

The following six issuers have also been downgraded by one or two notches below the Province, their sponsor under the agency's "Rating of Public Sector Entities - Outside the United States" methodology:

**Cassa del Trentino SpA**

Long-term foreign and local currency ratings downgraded to 'A' from 'AA-'; Negative Outlook  
Short-term rating downgraded to 'F1' from 'F1+'  
Primary analyst: Danilo Quattromani  
Secondary analyst: Sergio Ciaramella

**Patrimonio del Trentino SpA**

Long-term foreign and local currency ratings downgraded to 'A-' from 'A+', Negative Outlook  
Short term rating downgraded to 'F2' from 'F1'  
Primary analyst: Danilo Quattromani  
Secondary analyst: Marco Bonsanto

**Trentino Trasporti SpA**

Long-term foreign and local currency ratings downgraded to 'A-' from 'A+', Negative Outlook  
Short term rating downgraded to 'F2' from 'F1'  
Primary analyst: Danilo Quattromani  
Secondary analyst: Marco Bonsanto

**ITEA (Istituto Trentino per l'Edilizia Abitativa) SpA**

Long-term foreign and local currency ratings downgraded to 'A-' from 'A'; Negative Outlook  
Short term rating downgraded to 'F2' from 'F1'  
Primary analyst: Sergio Ciaramella  
Secondary analyst: Raffaele Carnevale

**University of Trento**

Long-term foreign and local currency ratings downgraded to 'A-' from 'A'; Negative Outlook  
Short term rating downgraded to 'F2' from 'F1'  
Primary analyst: Sergio Ciaramella  
Secondary analyst: Raffaele Carnevale

**Trentino Sviluppo SpA**

Long-term foreign and local currency ratings downgraded to 'A-' from 'A'; Negative Outlook  
Short term rating downgraded to 'F2' from 'F1'  
Primary analyst: Danilo Quattromani  
Secondary analyst: Sergio Ciaramella

**Autonomous Region of Valle d'Aosta**

Long-term foreign and local currency ratings downgraded to 'A' from 'AA-'; Negative Outlook  
Short-term rating downgraded to 'F1' from 'F1+'  
Primary analyst: Raffaele Carnevale  
Secondary analyst: Sergio Ciaramella

**Autonomous Region of Sardinia**

Long-term foreign and local currency ratings downgraded to 'A-' from 'A'; Negative Outlook  
Short-term rating downgraded to 'F2' from 'F1'  
Primary analyst: Raffaele Carnevale  
Secondary analyst: Sergio Ciaramella

**Region of Calabria**

Long-term foreign and local currency ratings affirmed at 'BBB+'; Negative Outlook  
Short-term rating affirmed at 'F2'  
Primary analyst: Danilo Quattromani  
Secondary analyst: Raffaele Carnevale

#### Region of Lazio

Long-term foreign and local currency ratings downgraded to 'BBB' from 'A-'; Negative Outlook

Short-term rating downgraded to 'F3' from 'F2'

Primary analyst: Raffaele Carnevale

Secondary analyst: Danilo Quattromani

#### Region of Lombardy

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Sergio Ciaramella

Secondary analyst: Raffaele Carnevale

#### Region of Veneto

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Raffaele Carnevale

Secondary analyst: Marco Bonsanto

#### Region of Piemonte

Long-term foreign and local currency ratings downgraded to 'BBB' from 'BBB+'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Raffaele Carnevale

Secondary analyst: Danilo Quattromani

#### Region of Sicily

Long-term foreign and local currency ratings affirmed at 'BBB'; Negative Outlook

Short-term rating affirmed at 'F3'

Primary analyst: Raffaele Carnevale

Secondary analyst: Danilo Quattromani

#### Province of Bologna

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Danilo Quattromani

Secondary analyst: Sergio Ciaramella

#### Province of Brescia

Long-term foreign and local currency ratings affirmed at 'BBB+', Outlook revised to Negative from Stable

Short-term rating affirmed at 'F2'

Primary analyst: Sergio Ciaramella

Secondary analyst: Danilo Quattromani

#### Province of Catania

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-' and placed on RWN,

Short-term rating of 'F2' placed on RWN

Primary analyst: Sergio Ciaramella

Secondary analyst: Raffaele Carnevale

#### Province of Florence

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Danilo Quattromani

Secondary analyst: Sergio Ciaramella

#### Province of Milan

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Danilo Quattromani

Secondary analyst: Raffaele Carnevale

Azienda Sviluppo Mobilita ed Ambiente SpA (ASAM)

Long-term foreign and local currency ratings downgraded to 'BBB' from 'BBB+'; Negative Outlook

Short-term rating downgraded to 'F3' from 'F2'

Primary analyst: Danilo Quattromani

Secondary analyst: Raffaele Carnevale

Province of Pescara

Long-term foreign and local currency ratings affirmed at 'BBB+'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Danilo Quattromani

Secondary analyst: Sergio Ciaramella

Province of Rome

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Raffaele Carnevale

Secondary analyst: Sergio Ciaramella

Province of Venice

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Sergio Ciaramella

Secondary analyst: Raffaele Carnevale

City of Andora

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Sergio Ciaramella

Secondary analyst: Marco Bonsanto

City of Busto Arsizio

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Marco Bonsanto

Secondary analyst: Sergio Ciaramella

City of Milan

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Raffaele Carnevale

Secondary analyst: Danilo Quattromani

City of Monza

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Marco Bonsanto

Secondary analyst: Sergio Ciaramella

City of Pisa

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook

Short-term rating affirmed at 'F2'

Primary analyst: Danilo Quattromani

Secondary analyst: Marco Bonsanto

City of Rome

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; maintained on RWN

Short-term rating 'F2' maintained on RWN

Primary analyst: Danilo Quattromani  
Secondary analyst: Raffaele Carnevale

#### City of Turin

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook  
Short-term rating affirmed at 'F2'  
Primary analyst: Raffaele Carnevale  
Secondary analyst: Marco Bonsanto

#### City of Verona

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook  
Short-term rating affirmed at 'F2'  
Primary analyst: Sergio Ciaramella  
Secondary analyst: Danilo Quattromani

#### City of Naples

Long-term foreign and local currency ratings downgraded to 'BBB-' from 'BBB'; Negative Outlook  
Short term rating affirmed at 'F3'  
Primary analyst: Danilo Quattromani  
Secondary analyst: Marco Bonsanto

#### City of Taranto

Long-term foreign and local currency and Short term ratings affirmed at 'RD'  
Primary analyst: Raffaele Carnevale  
Secondary analyst: Danilo Quattromani

#### Gestione Commissariale del Comune di Roma

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook  
Primary analyst: Sergio Ciaramella  
Secondary analyst: Raffaele Carnevale

#### Sace SpA

Long-term foreign and local currency ratings 'A-' placed on RWN  
Short-term Rating of 'F2' placed on RWN  
Primary analyst: Raffaele Carnevale  
Secondary analyst: Federico Faccio

#### Poste Italiane SpA

Long-term IDR and senior unsecured rating downgraded to 'BBB+' from 'A-'; Negative Outlook  
Short-term IDR affirmed at 'F2'  
Primary analyst: Danilo Quattromani  
Secondary analyst: Raffaele Carnevale

#### Cassa Depositi and Prestiti

Long-term IDR and senior unsecured rating downgraded to 'BBB+' from 'A-'; Negative Outlook  
Short-term IDR affirmed at 'F2'  
Primary analyst: Raffaele Carnevale  
Secondary analyst: Sergio Ciaramella

#### Politecnico di Torino

Long-term foreign and local currency ratings downgraded to 'BBB+' from 'A-'; Negative Outlook  
Short-term rating affirmed at 'F2'  
Primary analyst: Sergio Ciaramella  
Secondary analyst: Raffaele Carnevale

#### Agenzia Territoriale per la Casa della Provincia di Torino - ATC

Long-term foreign and local currency ratings affirmed at 'BBB+'; Negative Outlook  
Short-term rating affirmed at 'F2'  
Primary analyst: Raffaele Carnevale

Secondary analyst: Sergio Ciaramella

Acquedotto Pugliese

Long-term IDR and senior unsecured rating affirmed at 'BBB-'; Negative Outlook

Primary analyst: Danilo Quattromani

Secondary analyst: Marco Bonsanto

Umbria's bonds

Long-term local currency rating on the Region of Umbria's EUR487.3m 4.86% amortising notes due 2018 (ISIN: XS0156017955) downgraded to 'BBB+' from 'A-' as they are credit-linked to the Italian sovereign

Primary analyst: Raffaele Carnevale

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The ratings of the Region of Lombardy and the City of Taranto were unsolicited and have been provided by Fitch as a service to investors. All other ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

The Region of Lombardy and the City of Taranto did not participate in the rating process, or provide additional information, beyond their available public disclosure.

Applicable criteria, "Tax-Supported Rating Criteria", dated 14 August 2012, and "International Local and Regional Governments Rating Criteria - outside United States", dated 17 August 2012, "Rating Subnationals above the Sovereign - outside United States", dated 2 May 2012, "Revenue Supported Rating Criteria" dated 12 June 2012, "Rating of Public Sector Entities - Outside the United States" dated 4 March 2013, "International Colleges and Universities Outside US" dated 15 June 2012, 'Insurance Rating Methodology' dated 19 September 2012, are available on [www.fitchratings.com](http://www.fitchratings.com)

#### Applicable Criteria and Related Research

##### Tax-Supported Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=686015](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015)

International Local and Regional Governments Rating Criteria - Outside the United States

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=684304](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=684304)

Rating Subnationals Above the Sovereign – Outside US

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=675029](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=675029)

Revenue-Supported Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=681015](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=681015)

Rating of Public Sector Entities - Outside the United States

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=701963](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=701963)

International Colleges and Universities - Outside the United States

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=677390](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=677390)

Insurance Rating Methodology — Amended

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=698731](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=698731)

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