



Fitch Downgrades 8 Italian LRGs on Sovereign Rating Action

Link to Fitch Ratings' Report: Eight Italian Local and Regional Governments - Rating Action Report (<https://www.fitchratings.com/site/re/897837>)

Fitch Ratings-Milan/London-04 May 2017: Fitch Ratings has downgraded eight Italian local and regional governments' (LRGs): Metropolitan City of Milan, City of Milan, City of Busto Arsizio, Autonomous Province of Bolzano, Autonomous Province of Trento, Autonomous Region of Sardinia, Autonomous Region of Valle d'Aosta and Region of Marche. We have also downgraded the Region of Umbria's bond. 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 their legal obligations. In this case the deviation was caused by the downgrade of Italy's IDRs on 21 April 2017 (see 'Fitch Downgrades Italy to 'BBB'; Outlook Stable' at www.fitchratings.com)

Fitch interprets this provision as allowing us to publish a rating review in situations where there is a material change in the creditworthiness of the issuer that we believe makes it inappropriate for us to wait until the next scheduled review date to update the rating or Outlook/Watch status. In this case the deviation was caused by the downgrade of the sovereign's IDRs.

Following the sovereign downgrade we have taken similar rating actions on these LRG issuers as they are constrained either at the same level as or above the sovereign ratings.

The next scheduled review dates for the Autonomous Province of Trento is 2 June 2017, for the Metropolitan City of Milan and the City of Busto Arsizio 1 September 2017, for the City of Milan 6 October 2017, for the Autonomous Province of Bolzano 11 August 2017, for the Autonomous Region of Sardinia and Autonomous Region of Valle d'Aosta 23 June 2017, for the Region of Marche 21 July 2017 and for the region of Umbria's bond 6 October 2017.

KEY RATING DRIVERS

The downgrades of the eight Italian LRGs reflect the following key rating drivers and their relative weights:

HIGH

The ratings of Region of Marche, Metropolitan City of Milan, Autonomous Province of Trento, City of Milan, City of Busto Arsizio, Autonomous Province of Bolzano, Autonomous Region of Sardinia, Autonomous Region of Valle d'Aosta are constrained by the sovereign ratings. In Fitch's view, these LRGs will remain intrinsically strong over the medium term and the sovereign ratings will remain a constraint on their ratings.

The region of Umbria's bond is backed by an irrevocable payment delegation issued by the region to the central government, via the Italian Department for Civil Protection. Under this, the department is legally bound to make the payments. Consequently the ratings of the notes are linked to the ratings of the Italian sovereign.

Fitch projects that the LRGs will report budgetary performance and debt metrics that are commensurate with their ratings.

The Short-Term IDRs are not affected by the sovereign downgrade and consequently have been affirmed.

RATING SENSITIVITIES

The ratings of Region of Marche, Metropolitan City of Milan, Autonomous Province of Trento, City of Milan, City of Busto Arsizio, Autonomous Province of Bolzano, Autonomous Region of Sardinia, Autonomous Region of Valle d'Aosta will move in tandem with Italy's sovereign IDRs.

Credit analyses on the eight Italian LRGs are available at www.fitchratings.com.

The rating actions are as follows:

Metropolitan City of Milan

Long-Term Foreign- and Local-Currency IDRs: downgraded to 'BBB' from 'BBB+'; Outlook Stable

Short-Term Foreign-Currency IDR: affirmed at 'F2'

Senior unsecured debt: downgraded at 'BBB' from 'BBB+'

Region of Marche

Long-Term Foreign- and Local-Currency IDRs: downgraded to 'BBB' from 'BBB+'; Outlook Stable
Short-Term Foreign-Currency IDR: affirmed at 'F2'
Senior unsecured debt: downgraded at 'BBB' from 'BBB+'

City of Milan

Long-Term Foreign- and Local-Currency IDRs: downgraded to 'BBB' from 'BBB+'; Outlook Stable
Short-Term Foreign Currency IDR: affirmed at 'F2'

Province Autonomous of Bolzano

Long-Term Foreign- and Local-Currency IDRs: downgraded to 'A-' from 'A'; Outlook Stable
Short-Term Foreign-Currency IDR: affirmed at 'F1'

City of Busto Arsizio

Long-Term Foreign- and Local-Currency IDRs: downgraded to 'BBB' from 'BBB+'; Outlook Stable
Short-Term Foreign-Currency IDR: affirmed at 'F2'

Province Autonomous of Trento

Long-Term Foreign- and Local-Currency IDRs: downgraded to 'A-' from 'A'; Outlook Stable
Short-Term Foreign-Currency IDR: affirmed at 'F1'
Senior unsecured debt: downgraded to 'A-' from 'A'

Autonomous Region of Sardinia

Long-Term Foreign- and Local-Currency IDRs: downgraded to 'BBB+' from 'A-'; Outlook Stable
Short-Term Foreign-Currency IDR: affirmed at 'F2'

Autonomous Region of Valle d'Aosta

Long-Term Foreign- and Local-Currency IDRs: downgraded to 'A-' from 'A'; Outlook Stable
Short-Term Foreign-Currency IDR: affirmed at 'F1'
Senior unsecured debt: downgraded to 'A-' from 'A'

Region of Umbria

Senior unsecured debt: downgraded to 'BBB' from 'BBB+'

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Additional information is available on www.fitchratings.com

Applicable Criteria

International Local and Regional Governments Rating Criteria - Outside the United States (pub. 18 Apr 2016)
(<https://www.fitchratings.com/site/re/878660>)

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Entity/Security	ISIN/CUSIP/COUPON RATE	Rating Type	Solicitation Status
Valle d'Aosta,Autonomous Region of	-	Long Term Issuer Default Rating	Unsolicited
Valle d'Aosta,Autonomous Region of	-	Short Term Issuer Default Rating	Unsolicited
Valle d'Aosta,Autonomous Region of	-	Local Currency Long Term Issuer Default Rating	Unsolicited
Valle d'Aosta,Autonomous Region of EUR 543 mln Floating Rate Notes 28 May 2021	XS0129991864	Long Term Rating	Unsolicited
Valle d'Aosta,Autonomous Region of EUR 74 mln 4.197% Notes 31 Dec 2026	IE00B1LD3052	Long Term Rating	Unsolicited

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