

Rating Action: Moody's Public Sector Europe places 20 Italian sub-sovereigns on review for downgrade

29 May 2018

London, 29 May 2018 -- Moody's Public Sector Europe has today placed the ratings of 18 Italian regional and local governments and two Government Related Issuers under review for downgrade. At the same time Moody's has affirmed the Ba2 ratings of the Region of Lazio with stable outlook.

The decision to place the ratings on review for a downgrade was prompted by the corresponding action on Italy's government bond rating https://www.moodys.com/research/--PR_384025, on May 25. Please also refer to the comment published by the sovereign team http://www.moodys.com/viewresearchdoc.aspx?docid=PR_384385, on May 29.

Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_199586 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 PLACING 20 SUBSOVEREIGNS UNDER REVIEW FOR DOWNGRADE

Regional and Local Governments. Sovereign credit conditions drive the ratings for the sector. Slow progress with national economic and fiscal reforms pose risks for RLGs and outweigh recent successful budgetary consolidation efforts.

Italian regional and local governments (RLGs) are enduringly linked with the central government via close institutional, economic and financial links. These links have strengthened in the course of the last few years due to several changes in the institutional framework, leading to higher supervision and greater control mechanisms exerted by the sovereign.

Moody's notes that regions strongly rely on the Italian sovereign for the funding of the healthcare sector, their main responsibility which absorbs a very high portion of their budgets. The dependence of Italian RLGs on sovereign transfers has been reinforced by stricter limits on their financial autonomy. As a result, a weakening in Italy's fiscal strength may lead to fiscal pressure for RLGs over the medium term.

Furthermore all RLGs are largely dependent on the sovereign for their borrowing needs for capital expenditures. As such their cost of funding is largely reliant on sovereign credit conditions. The Italian government already accounts for a large portion of regional and local governments' existing debt and has been in practice the sole lending provider in the last few years.

Government-Related Issuers. The decision to place the Baa2 rating for MM S.p.A. and the A3 rating for Cassa del Trentino S.p.A under review for downgrade, follows the corresponding decision on their respective owners (City of Milan Baa2/RUR- and Autonomous Province of Trento A3/RUR-). From a credit-risk perspective, there is no meaningful distinction between these two entities and their respective owners because of the intrinsic operational ties between the two.

The conclusion of the review on the sovereign bond rating will prompt a conclusion of the review for the affected sub-sovereigns.

RATIONALE FOR AFFIRMING THE RATING OF THE REGION OF LAZIO WITH STABLE OUTLOOK

The Ba2 ratings of the Region of Lazio have been affirmed. The current positioning of the rating and the significant progress of the region toward budgetary consolidation and debt stabilization can accommodate further pressure potentially coming from the sovereign.

WHAT COULD CHANGE THE RATING DOWN IN THE CONTEXT OF THIS REVIEW

Moody's would consider downgrading some or all the ratings of the affected sub-sovereigns in case of a

sovereign rating downgrade, after assessing the implications of the sovereign credit conditions and the pressures exerted on their finances.

WHAT COULD LEAD TO CONFIRMATION OF THE RATING AT THE CURRENT LEVEL

Moody's will confirm all the ratings of the affected sub-sovereigns in case of sovereign rating confirmation.

The sovereign action required the publication of these credit rating actions on a date that deviates from the previously scheduled release date in the sovereign release calendar, published on www.moodys.com.

The specific economic indicators, as required by EU regulation, are not available. 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\$): 36,877 (2016 Actual) (also known as Per Capita Income)

Real GDP growth (% change): 0.9% (2016 Actual) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 0.5% (2016 Actual)

Gen. Gov. Financial Balance/GDP: -2.5% (2016 Actual) (also known as Fiscal Balance)

Current Account Balance/GDP: 2.6% (2016 Actual) (also known as External Balance)

External debt/GDP: [not available]

Level of economic development: High level of economic resilience

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

On 25 May 2018, a rating committee was called to discuss the rating of the Civitavecchia, City of; Lazio, Region of; Milan, City of; Sicily, Autonomous Region of; Venice, City of; Abruzzo, Region of; Basilicata, Region of; Campania, Region of; Cassa del Trentino S.p.A.; Liguria, Region of; Lombardy, Region of; MM S.p.A.; Molise, Region of; Piedmont, Region of; Puglia, Region of; Sardinia, Autonomous Region of; Trento, Autonomous Province of; Umbria, Region of; Valle d'Aosta, Autonomous Region of; Veneto, Region of; Bolzano, Autonomous Province of. The main points raised during the discussion were: The systemic risk in which the issuer operates has materially increased.

The principal methodology used in rating Abruzzo, Region of, Basilicata, Region of, Bolzano, Autonomous Province of, Campania, Region of, Civitavecchia, City of, Lazio, Region of, Liguria, Region of, Lombardy, Region of, Milan, City of, Molise, Region of, Piedmont, Region of, Puglia, Region of, Sardinia, Autonomous Region of, Sicily, Autonomous Region of, Trento, Autonomous Province of, Umbria, Region of, Valle d'Aosta, Autonomous Region of, Veneto, Region of, and Venice, City of was Regional and Local Governments published in January 2018. The principal methodology used in rating Cassa del Trentino S.p.A., and MM S.p.A. was Government-Related Issuers published in August 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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

REGULATORY DISCLOSURES

Please click on this link http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_199586 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:

- Lead Rating Analyst and Rating Office
- Releasing Office
- Person Approving the Credit Rating

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing

ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at www.moodys.com, for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued the ratings.

The person who approved Cassa del Trentino S.p.A., and MM S.p.A. credit ratings is David Rubinoff, MD - Sub Sovereigns, Sub-Sovereign Group, Journalists Tel: 44 20 7772 5456, Client Service Tel: 44 20 7772 5454.

The person who approved Abruzzo, Region of, Basilicata, Region of, Bolzano, Autonomous Province of, Campania, Region of, Civitavecchia, City of, Lazio, Region of, Liguria, Region of, Lombardy, Region of, Milan, City of, Molise, Region of, Piedmont, Region of, Puglia, Region of, Sardinia, Autonomous Region of, Sicily, Autonomous Region of, Trento, Autonomous Province of, Umbria, Region of, Valle d'Aosta, Autonomous Region of, Veneto, Region of, and Venice, City of credit ratings is Mauro Crisafulli, Associate, Managing Director, Sub-Sovereign Group, Journalists Tel: 44 20 7772 5456, Client Service Tel: 44 20 7772 5454.

The relevant office for each credit rating is identified in "Debt/deal box" on the Ratings tab in the Debt/Deal List section of each issuer/entity page of the website.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Elise Savoye
Asst Vice President - Analyst
Sub Sovereign Group
Moody's Investors Service EMEA Limited France Branch
96 Boulevard Haussmann
Paris 75008
France
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Mauro Crisafulli
Associate Managing Director
Sub Sovereign Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service EMEA Ltd.
One Canada Square
Canary Wharf
London E14 5FA

United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454



© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage

arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

Moody's Public Sector Europe is the trading name of Moody's Investors Service EMEA Limited, a company incorporated in England with registered number 8922701 that operates as part of the Moody's Investors Service division of the Moody's group of companies.