

Autonomous Province of Bolzano

The Autonomous Province of Bolzano's (PAB) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) are constrained at two notches above Italy's IDRs (BBB/Positive) as PAB can be rated above the sovereign owing to its institutional strength and high financial autonomy. PAB has a Standalone Credit Profile (SCP) of 'aaa', which is the highest possible, and its financial profile is resilient in our rating case.

Key Rating Drivers

Risk Profile – 'High Midrange': The risk profile assessment reflects a low risk that PAB's ability to cover debt service with the operating balance will weaken unexpectedly over the scenario horizon (2025-2029), either because of lower-than-expected revenue or expenditure above expectations, or because of unanticipated rises in liabilities or debt-service requirements.

Robust Revenue: The province's revenue base is more closely connected to the local economy and is less reliant on government transfers. PAB's special autonomous status entitles it to receive shares of national taxes. Fitch Ratings calculates PAB's fiscal flexibility to be about 8% of tax revenue, supported by its above-national average socioeconomic indicators.

Expenditure Under Control: PAB has a long record of maintaining the operating balance at least at EURO.9 billion, or at least 15% of operating revenue in past decade. PAB's inflexible costs are below 70% of total spending and PAB has the flexibility to be able to postpone part of its capital expenditure (capex) that is partly self-funded.

Low Debt, High Liquidity: PAB's debt policy is prudent, in our view, with moderate Fitch-adjusted debt of about 6% of revenue in 2024, including EUR158 million of local cities' debt served by PAB. Its direct debt carries little risk owing to the amortising structure of loans and low debt service, below 1% of the operating revenue. In the past five years, more than 20% of cash was unrestricted under Fitch's calculations.

Financial Profile – 'aaa' Category: PAB's financial profile assessment is resilient in our rating case, with the debt payback ratio (net adjusted debt/operating balance) remaining below 1x in the rating-case period, confirming the financial profile assessment at the highest level of 'aaa'. The financial profile's secondary metrics remain in the same category as the payback ratio.

Leeway Above the Sovereign: The province is eligible to be rated above the sovereign owing to its institutional strength and high degree of financial autonomy. Fitch conservatively applies a maximum two-notch leeway above Italy's rating, regardless of the difference between the LRG's SCP and the sovereign rating. This captures the risk of interference by the national government and the subsequent risk of weakening predictability of intergovernmental relations.

Public Finance

Local and Regional Governments

Italy

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com.

Ratings

Foreign Currency

Long-Term IDR	A-
Short-Term IDR	F1

Local Currency

Long-Term IDR	A-
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Outlooks

Long-Term Foreign-Currency IDR	Positive
Long-Term Local-Currency IDR	Positive

Issuer Profile Summary

Autonomous Province of Bolzano is in northern Italy. It has about 500,000 residents, 0.9% of the Italian population, and wealthy socioeconomic indicators compared with national and international peers. Services are prevalent in the diversified local economy (e.g. tourism, finance, real estate). Fitch classifies PAB as a 'Type B' local and regional government (LRG), as it covers debt service out of its annual cash flow.

Financial Data Summary

(EURm)	2024	2029rc
Payback ratio (x)	-0.2	0.7
Synthetic coverage (x)	-72.4	16.5
Fiscal debt burden (%)	-4.1	7.7
Net adjusted debt	-297	541
Operating balance	1,745	762
Operating revenue	7,208	7,055
Debt service	36	79
Mortgage-style debt annuity	-24	46

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, Autonomous Province of Bolzano

Applicable Criteria

[International Local and Regional Governments Rating Criteria \(August 2024\)](#)

Related Research

[Fitch Affirms Italian Autonomous Province of Bolzano at 'A-'; Outlook Positive \(July 2025\)](#)

[Fitch Affirms Italy at 'BBB'; Outlook Positive \(April 2025\)](#)

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Rating Synopsis

Autonomous Province of Bolzano LT IDR Derivation Summary

KRF attribute	Key Risk Factors (KRF)						Risk Profile	Financial Profile Assessments				Standalone Credit Profile (SCP)	From SCP to LT FC IDR				
	Revenue		Expenditure		Liabilities & Liquidity			Primary metric	Secondary metrics		Financial Profile Score		Intergovernmental lending	Ad hoc support	Sovereign Rating	Leeway Above Sovereign	LT IDR Outlook
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility		Payback Ratio (x)	Synthetic DSCR (x)	Fiscal Debt Burden (%)							
Stronger	Higher Influence KRF	Higher Influence KRF	Higher Influence KRF	Higher Influence KRF	Higher Influence KRF	Higher Influence KRF	aaa	aaa	aaa	aaa	aaa			AAA	AAA		
							aa+	aa+	aa+	aa+	aa+			AA+	AA+		
							aa	aa	aa	aa	aa			AA	AA		
Midrange	Midrange	Midrange	Midrange	Midrange	Midrange	Midrange	aa	aa	aa	aa	aa			AA+	AA+		
							a	a	a	a	a			A	A		
							a-	a-	a-	a-	a-			A-	A-	Positive	
Weaker	Weaker	Weaker	Weaker	Weaker	Weaker	Weaker	a	a	a	a	a			BBB+	BBB+		
							bbb	bbb	bbb	bbb	bbb			BBB	BBB		
							bbb-	bbb-	bbb-	bbb-	bbb-			BBB-	BBB-		
							bb	bb	bb	bb			BB+	BB+			
							bb	bb	bb	bb			BB	BB			
							b	b	b	b			B	B			
							b	b	b	b			B-	B-			
							ccc+	ccc+	ccc+	ccc+			CCC+	CCC+			
							ccc	ccc	ccc	ccc			CCC	CCC			
							ccc-	ccc-	ccc-	ccc-			CCC-	CCC-			
							cc	cc	cc	cc			CC	CC			
							c	c	c	c			C	C			

Higher Influence KRF Lower Influence KRF

Source: Fitch Ratings

The six key risk factors (KRFs), combined according to their relative importance, collectively represent the risk profile of the LRG. Fitch’s financial profile assessment measures the LRG’s debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon. Fitch’s risk profile and financial profile are combined in an SCP. This, together with some additional factors not captured in SCP, such as extraordinary support or rating cap, produces the IDR.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

As PAB’s IDRs are constrained at two notches above the Italian sovereign ratings, changes to Italy’s IDRs and Outlook would be mirrored in PAB’s ratings.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Negative rating action on the sovereign’s ratings would be mirrored on PAB’s IDRs.

PAB’s Long-Term IDRs could be downgraded if debt payback deteriorates towards 8x on a sustained basis in our rating case. This would lead to a multiple-notch downward revision of PAB’s SCP and subsequently smaller leeway above the sovereign’s ratings.

Issuer Profile

Italian subnationals include regions and local governments. Italy’s 20 regions and the autonomous provinces of Trento and Bolzano are primarily responsible for healthcare and other spending, such as on social housing and economic development.

Provinces and the 14 metropolitan cities are secondary administrative entities and provide vocational training and investment in roads and schools. About 7,900 municipalities provide services, directly or via their companies, including transportation, waste collection, water, administration, urban maintenance and social care.

Under the constitution, there is no hierarchy between tiers of LRGs; regions do not have supervisory power over provinces/metropolitan cities and cities, except for special statute regions and provinces (collectively: special autonomies).

Fitch classifies PAB as a 'Type B' LRG, meaning that it is required to cover debt service from cash flow annually. It is one of the two provinces and four regions in Italy whose special status is protected by the constitution. Therefore, PAB has broader duties than ordinary regions, funded with a fixed share of national taxes. These responsibilities include healthcare, local transport, economic development, social housing, schools and education, universities, funding local authorities and socioeconomic development.

PAB has a high degree of financial and fiscal autonomy (including over taxation, funding, borrowing and spending), and bilateral consent, between the province and the state, is required for changes to funding and responsibilities.

PAB is one of the wealthiest subnationals in Italy and Europe, with a nominal GDP per capita of EUR59,600 in 2023, which is about 55% above the EU average, and an unemployment rate of 2% in 2024 (unchanged from 2023). PAB's labour market is flexible, and the provincial economy is also anchored to the Austrian economy that is stronger than Italy's.

Services account for nearly three-quarters (72%) of the local economy, 11% of which comprises manufacturing, and about 7% is construction. At end-2023, GDP surpassed EUR30,000 million (EUR 32,044 million in nominal terms).

The trade balance is negative, at about -6% of its GDP. PAB's main export destinations are European countries, accounting for 73% (with about 30% of total exports to Germany and 10% to Austria); the US represents 7% and is also one of the main import origins. Similar to exports, about two-thirds of imports are from Germany and Austria.

Socioeconomic Indicators

	Autonomous Province of Bolzano	Italy
Population, end-2024 (m)	0.5	59.0
Nominal GDP per capita, 2023 (EUR)	59,600	36,100
Nominal GDP growth, 2023 (%)	10.2	9.3
Inflation, 2024 (%)	1.7	1.0
Unemployment rate, 2024 (%)	2.0	6.6

Source: Fitch Ratings, national statistics, Autonomous Province of Bolzano

Risk Profile Assessment

Risk Profile: High Midrange

Fitch assesses PAB's risk profile at 'High Midrange', reflecting the combination of assessments:

Risk Profile Assessment

Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility	Implied operating environment score	Risk profile
Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	a	High Midrange

Source: Fitch Ratings

The 'High Midrange' risk profile reflects the combination of the following factors:

A low risk that PAB's ability to cover debt service with the operating balance will weaken unexpectedly over the scenario (2025-2029), either because of lower-than-expected revenue or expenditure above expectations, or because of unanticipated rises in liabilities or debt-service requirements.

Revenue Robustness: Stronger

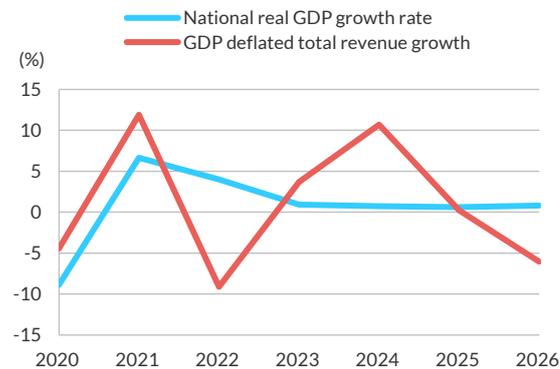
PAB's special autonomous status entitles it to receive shares of national taxes, ranging from 90% of personal income tax (PIT) and corporate income tax, to 80% of VAT, underpinning its tax revenue resilience. Its revenue base is more directly connected to the local economy than ordinary regions and less reliant on government transfers, which constitute just below 10% of operating revenue.

PAB's strong tax base and its proximity and close economic relations with Austria through its network of SMEs benefit tax revenue, underpinning Fitch's assessment. Operating revenue increased to EUR7.2 billion in 2024 (EUR6.3 billion in 2023) owing to strong growth in tax revenue (averaging 84% of operating revenue in 2020-2024), which reflected rising economic and consumption trends. This more than counterbalanced lower current transfers received.

In 2024, revenue from VAT remained high at EUR1.16 billion (EUR1.1 billion in 2023), reflecting positive consumption and inflation, more business tax revenue following the upward revision of the standard rate to 3.9% in 2022 from 2.68% in 2021, and higher PIT, which in 2024 rose to nearly EUR2.1 billion from EUR1.9 billion in 2023, owing to an expanding economy.

Fitch expects inflation and consumption to affect PAB's operating revenue, especially indirect taxes, such as VAT. We expect PIT, the other main tax item, to follow national real GDP growth.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, Autonomous Province of Bolzano

Revenue Breakdown, 2024

	Operating revenue (%)	Total revenue (%)
Value added tax	16.0	15.3
Personal income tax	29.0	27.7
Business & corporate taxes	13.9	13.3
Transfers	8.0	7.6
Other operating revenue	33.1	31.6
Operating revenue	100.0	95.5
Interest revenue	-	0.0
Capital revenue	-	4.5
Total revenue	-	100.0

Source: Fitch Ratings, Fitch Solutions, Autonomous Province of Bolzano

Revenue Adjustability: Stronger

Fitch assesses PAB's fiscal flexibility at about 8% of tax revenue, when raising the PIT surcharge and the regional business tax to their maximums and removing tax relief. Fitch estimates PAB's fiscal flexibility could cover more than 2x revenue decline in the past 10 years, which is the threshold for the 'Stronger' assessment. PAB's above-national average socioeconomic indicators, such as nominal GDP per capita at EUR59,600 (EUR36,100 for Italy in 2023), low unemployment of 2% (6.6% nationally in 2024) and an employment rate of 74.2% (62.2% in Italy in 2024) support fiscal flexibility.

Fitch believes that fiscal reform that started in 2022 has not had any additional impact on the province and expects the central government will continue to compensate PAB for the financial effects of further revisions to PIT, in accordance with national law and in agreement with the special statute regions and autonomous provinces.

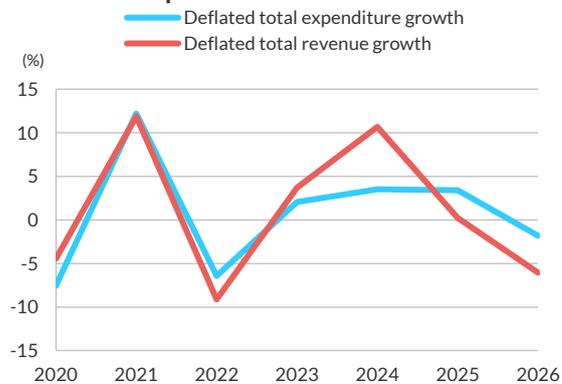
The province's maximum tax rate is legally capped, but PAB can determine fees or user charges. PAB applies the minimum PIT surcharge rate of 1.23% for most income brackets apart from the highest group (income above EUR50,000) for which the rate is 1.73%. The province currently grants several, significant tax deductions; for example, taxpayers with a taxable income of up to EUR90,000 are entitled to a deduction of EUR430.50.

Rates of business tax (IRAP) are determined by business type and the standard rate is 3.9% (maximum increase is 0.92%), which PAB applies

Expenditure Sustainability: Midrange

PAB has a long record of the operating balance being at least EURO.9 billion, or 15% of operating revenue, and robust financials enable it to sustain higher expenditure. The province has broad responsibilities. In 2024, healthcare represented nearly a quarter (24%) of total spending (80% in ordinary regions), education 18%, transfers to local authorities 10% and social services 10%. In Fitch's view, this diversification of responsibilities would enable PAB to absorb spending peaks, if necessary, for example, by reducing discretionary transfers or streamlining non-essential expenditure by 10% of opex without affecting the high quality of its services.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, Autonomous Province of Bolzano

Expenditure Breakdown, 2024

	Operating expenditure (%)	Total expenditure (%)
Healthcare	30.8	23.8
Public transport	6.7	5.2
General administration	7.5	5.8
Transfers to local authorities	12.2	9.4
Education & Professional Education	23.7	18.3
Other operating expenditure	19.0	14.7
Operating expenditure	100.0	77.2
Interest expenditure	-	0.1
Capital expenditure	-	22.7
Total expenditure	-	100.0

*Sums may not be exact due to rounding.

Source: Fitch Ratings, Fitch Solutions, Autonomous Province of Bolzano

Expenditure Adjustability: Stronger

PAB efficiently manages costs, as seen in its satisfactory operating balance and positive fiscal performance. The expenditure structure is fairly flexible, and the share of inflexible costs is below 70% of total spending, including education and healthcare. Capex averaged 21% of total spending in 2020-2024, funded with PAB’s own resources and by the state and the EU. The province has the capacity to postpone some capex, which averaged about EUR1.3 billion a year in 2020-2024.

PAB will use funds from the Italian Recovery and Resilience Plan and the new EU 2021-2027 programme cycle – both of which are moderately inflexible items – to fund capex. Compared to other regions, EU funds account for only a small portion of PAB’s annual capex (about 9%-15% of capex in 2022-2024), keeping the share of inflexible spending below Fitch’s threshold of 70% for a ‘Stronger’ assessment.

PAB has strong record of balanced statements, with an operating balance that has been above EUR800 million in the past decade.

Liabilities and Liquidity Robustness: Stronger

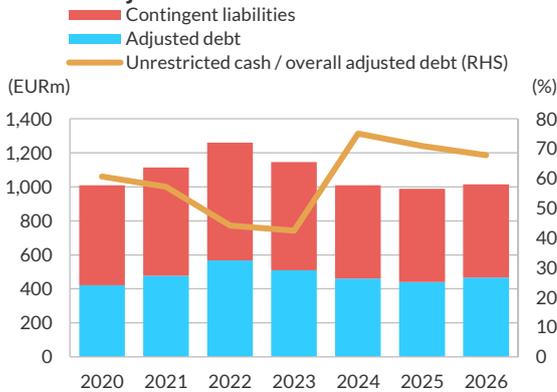
PAB’s debt framework largely mirrors national prudential debt regulation, which underpins debt-service predictability and our assessment of this factor. PAB’s direct debt at end-2024 was EUR304 million, 4% of operating revenue, with no exposure to variable rates. About 29% is intergovernmental (Region of Trentino Alto Adige, non-interest-bearing loans), with the remainder from Cassa Depositi e Prestiti SpA (BBB/Positive/F2).

Fitch-adjusted debt of EUR461 million at end-2024 includes about EUR158 million of debt of local municipalities served by PAB. Our assessment reflects that the smooth amortising debt structure and negligible proportion of debt service to operating revenue (EUR36 million in 2024, or a low 0.5% of operating revenue) carries little risk of insolvency. Fitch considers PAB’s off-balance-sheet exposure modest. PAB supports its government-related entities (GREs) through about EUR120 million of guarantees. GRE debt is low at about EUR427 million, or 6% of operating revenue, mostly related to local energy provider (Alperia SpA; BBB/Stable), which Fitch considers largely self-supporting.

The Italian constitution only allows LRGs to borrow to fund capex with amortising structures and no foreign-currency debt exposure, and debt service is capped at 20% of free revenue. Also, debt maturity should cover the duration of the investment programme.

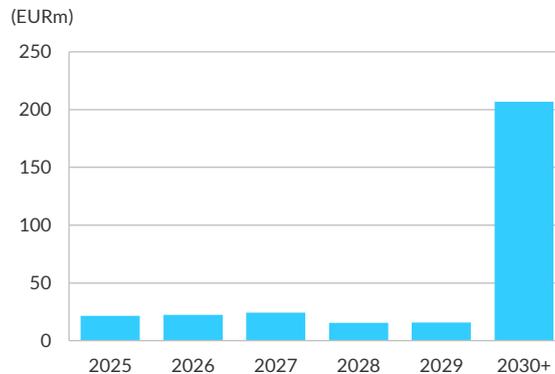
Smooth amortisation profiles underpin the predictability of debt service. The central government can provide cash advances with long tenors of up to 30 years. The state sets LRGs’ borrowing limits for the regions’ debt service, including that on guarantees, at 20% of operating revenue net of healthcare funds and mandatory provisions for contingencies.

Overall Adjusted Debt Structure



Source: Fitch Ratings, Autonomous Province of Bolzano

Debt Maturity Profile



Source: Fitch Ratings, Autonomous Province of Bolzano

Liabilities and Liquidity Flexibility: Midrange

PAB's unrestricted cash (Fitch's calculation) increased to EUR758 million in 2024 (EUR487 million at end-2023), or 10% of operating revenue, and can be used in case of need as an alternative to cash advances. Fitch considers another EUR2.4 billion restricted for future commitments. This unrestricted cash represents a buffer in case of extraordinary expense and committed credit lines of up to 10% of tax revenue at PAB's treasury bank are available for unexpected refinancing risk. The treasury service is with a temporary consortium of companies formed by Cassa di Risparmio di Bolzano SpA - Sparkasse (lead partner, not rated) and Banca Popolare dell'Alto Adige SpA (BB+/Positive/B).

The province has ample liquid reserves, which have been increasing since the phasing-in of the accounting reform for Italian LRGs (Fitch's unrestricted cash has been above EUR400 million in the past five years).

Debt Analysis

	2024
Fixed rate (% of direct debt)	100
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	3
Weighted average life of debt (years)	9.3

Source: Fitch Ratings, Autonomous Province of Bolzano

Liquidity

	2024
Total cash, liquid deposits and sinking funds	3,175
Restricted cash	2,416
Cash available for debt service	758
Undrawn committed credit lines	526

Source: Fitch Ratings, Autonomous Province of Bolzano

Financial Profile Assessment

Financial Profile: 'aaa' Category

Financial Profile Score Summary

	Primary Metric	Secondary Metrics	
	Payback Ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	X ≤ 5	X ≥ 4	X ≤ 50
aa	5 < X ≤ 9	2 ≤ X < 4	50 < X ≤ 100
a	9 < X ≤ 13	1.5 ≤ X < 2	100 < X ≤ 150
bbb	13 < X ≤ 18	1.2 ≤ X < 1.5	150 < X ≤ 200
bb	18 < X ≤ 25	1 ≤ X < 1.2	200 < X ≤ 250
b	X > 25	X < 1	X > 250

Note: Yellow highlights show metric ranges applicable to the issuer.
Source: Fitch Ratings

PAB's financial profile is resilient to the rating-case assumptions that encompass a continuous increase of current costs, including sustained operating transfers to the local economy against a decrease in current transfers received and overall flat tax revenue trend. Fitch expects the debt payback ratio (net adjusted debt-to-operating balance) to remain below 1x across the five-year rating case, underpinning a 'aaa' financial profile assessment.

Under this rating scenario, Fitch expects the operating balance to decrease towards EUR0.8 billion in 2027-2029, or 28% lower than the historical average of EUR1.1 billion. We expect PAB will use cash reserves and new borrowing along with state and EU funds to sustain its EUR7.15 billion capex plan to fund infrastructure development and maintenance, investments in healthcare facilities and social-housing plans, and to support local businesses. Consequently, we expect Fitch-adjusted debt net of unrestricted cash at about EUR0.5 billion by 2029 (negative EUR297 million at end-2024).

Annual debt service for interest and principal could increase to nearly EUR80 million by 2029, which would be comfortably covered by the operating balance. The fiscal debt burden (net adjusted debt-to-operating revenue ratio) will remain below 10% across our rating case, underpinning PAB's satisfactory financial profile.

Strong Debt Metrics Under Fitch's Rating Case

Fitch's rating case is a "through-the-cycle" scenario, which incorporates a combination of revenue, cost and financial risk stresses. It is based on 2020-2024 figures, and 2025-2029 projected ratios, and on the assumptions detailed in the *Scenario Assumptions Summary* table below.

Under our rating-case scenario, operating revenue will increase less than before, mainly because we expect current transfers will decline after peaks during the Covid-19 pandemic, increases in energy prices, and other additional state compensation that will decline in the coming years. Tax revenue will rise, in line with slowing economic growth and inflation.

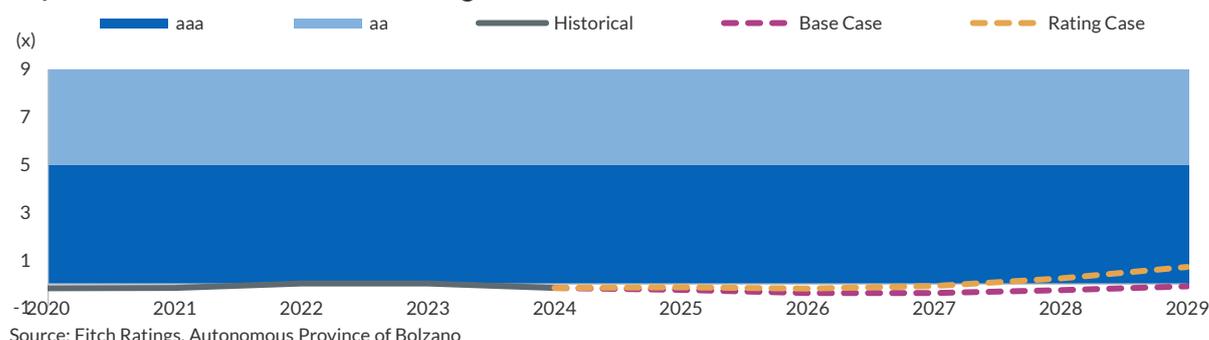
Operating revenue will slightly decrease by an average 0.4% in the rating case, and remain at least EUR7 billion in the rating case. This considers expected lower tax settlements from previous years and lower current transfers received, which will be partially counterbalanced by a slowing economy. Opex will rise by an average 2.9% yoy. This factors in the balanced-budget rule; healthcare spending that tends to match the resources available; inflation and some additional optional spending to support local businesses and improve social services. The operating balance will remain satisfactory, about EUR0.8 billion or above.

We calculate net adjusted debt as direct debt net of unrestricted cash (see *Appendix C: Data Adjustments*). Under our rating case, total cash is treated as restricted and earmarked for future expenditure for the largest share (about 80%), and we assume PAB would use part of its free cash to fund its spending. Fitch expects a negative net capital balance of nearly EUR1.2 billion on average in 2025-2029. Large own, state, and EU funds will finance PAB's investment plan along with new borrowing. Net adjusted debt would consequently increase towards EUR540 million by 2029 (-EUR297 million in 2024).

Positive Performance Continued in 2024

PAB's fiscal and financial performance remained sound in 2024. Operating revenue surpassed EUR7 billion (EUR7.3 billion), benefitting from a positive economic performance in the province that supported main tax revenue items. Opex increased on higher revenue, but the province was able to preserve an ample operating result of EUR1.7 billion (EUR1.1 billion in 2023). PAB didn't incur new debt, and it financed capex through autonomous, EU and state funds. Cash at year-end remained high at nearly EUR3.2 billion, of which EUR758 million we consider unrestricted, thus more than covering the outstanding adjusted debt (EUR461 million in 2023).

Payback Ratio - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Autonomous Province of Bolzano

Scenario Assumptions Summary

Assumptions	Five-Year Historical Average	2025 - 2029 Average	
		Base Case	Rating Case
Operating revenue growth (%)	5.6	0.0	-0.4
Tax revenue growth (%)	6.1	0.5	0.0
Current transfers received growth (%)	1.9	-4.8	-4.8
Operating expenditure growth (%)	4.3	2.7	2.9
Net capital expenditure (EURm)	-1,036	-1,184	-1,184
Apparent cost of debt (%)	1.3	2.9	3.0

Outcomes	2024	2029	
		Base Case	Rating Case
Payback ratio (x)	-0.2	-0.1	0.7
Synthetic coverage ratio (x)	-72.7	-106.6	16.5
Fiscal debt burden (%)	-4.1	-1.5	7.7

Source: Fitch Ratings, Autonomous Province of Bolzano

SCP Positioning and Peer Comparison

Analytical Outcome Guidance

Risk Profile	Financial Profile					
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
Suggested analytical outcome (SCP)	aaa	aa	a	bbb	bb	b

Source: Fitch Ratings

We assess PAB’s SCP at ‘aaa’, reflecting the combination of a ‘High Midrange’ risk profile and financial profile metrics assessed in the ‘aaa’ category under Fitch’s rating-case scenario.

PAB benefits from special autonomy recognised in the Italian constitution and high financial autonomy that enables it to be rated above the sovereign. Fitch constrains PAB’s IDRs at two notches above the sovereign’s rating, reflecting its strong finances and potential influence by the state in case of sovereign or macroeconomic stress.

PAB is one of the few Italian LRGs with a ‘High Midrange’ risk profile and ‘aaa’ financial profile, along with the Autonomous Province of Trento (A-/Positive/F1) and the Autonomous Region of Friuli Venezia Giulia (A-/Positive/F1).

International peers include Spanish local governments with special autonomous status, such as Alava and Bizkaia, which are also rated above the sovereign, and French departments, such as Savoie, with low debt levels, while Yvelines has a payback ratio above 5x, resulting in an ‘aa’ financial profile. All of these peers have a ‘High Midrange’ risk profile like PAB.

Peer Comparison

	Risk Profile	Financial Profile Score	SCP	Sovereign Rating	LT IDR
Autonomous Province of Bolzano	High Midrange	aaa	aaa	BBB	A-/Positive
Autonomous Province of Trento	High Midrange	aaa	aaa	BBB	A-/Positive
Autonomous Region of Friuli Venezia Giulia	High Midrange	aaa	aaa	BBB	A-/Positive
Historical Territory of Alava	High Midrange	aaa	aaa	A-	AA-/Stable
Historical Territory of Bizkaia	High Midrange	aaa	aaa	A-	AA-/Stable
Department of Savoie	High Midrange	aaa	aaa	AA-	AA-/Negative
Department of Yvelines	High Midrange	aa	aa+	AA-	AA-/Negative

Source: Fitch Ratings, Autonomous Province of Bolzano

Long Term Rating Derivation

From SCP to LT FC IDR: Factors Beyond the SCP

SCP	Sovereign LT FC IDR	Support			Rating Cap	Leeway above Sovereign (notches)	LT FC IDR
		Intergovern. Financing	Ad hoc Support	Floor			
aaa	BBB	-	-	-	A-	2	A-

Source: Fitch Ratings, Autonomous Province of Bolzano

Fitch assesses PAB’s SCP at ‘aaa’, which reflects a combination of its ‘High Midrange’ risk profile and ‘aaa’ financial profile assessment under Fitch’s rating case. The SCP is supported by strong debt metrics at the highest applicable category according to our LRG Criteria. PAB’s IDRs are constrained at two notches above the sovereign’s rating, reflecting its financial autonomy and strong economy as well as potential interference in its finance by the state in case of sovereign or macroeconomic stress.

Short Term Rating Derivation

The province’s Short-Term IDR has been affirmed at ‘F1’, given the sound liquidity coverage ratio (Fitch unrestricted cash and operating balance/debt service) above 50x in the rating-case scenario for 2025-2026, combined with a ‘Stronger’ assessment of Liabilities & Liquidity Robustness and ‘Midrange’ of Liabilities & Liquidity Flexibility.

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. Fitch’s ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch’s ESG Relevance Scores, visit www.fitchratings.com/esg.

Appendix A: Financial Data

Autonomous Province of Bolzano

(EURm)	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
Fiscal Performance										
Taxes	4,558	5,061	4,891	5,262	6,362	6,634	6,379	6,238	6,293	6,350
Transfers received	731	721	679	761	575	555	504	491	475	450
Fees, fines and other operating revenues	218	218	263	310	271	270	268	265	260	255
Operating revenue	5,506	6,000	5,833	6,332	7,208	7,459	7,151	6,994	7,028	7,055
Operating expenditure	-4,448	-5,111	-4,930	-5,239	-5,463	-5,753	-6,030	-6,116	-6,204	-6,293
Operating balance	1,058	888	903	1,093	1,745	1,706	1,122	878	825	762
Interest revenue	0	0	0	0	0	0	0	0	0	0
Interest expenditure	-1	-1	-3	-7	-8	-8	-8	-11	-18	-29
Current balance	1,058	887	901	1,085	1,737	1,698	1,113	867	807	734
Capital revenue	186	439	238	299	338	300	300	230	200	200
Capital expenditure	-1,165	-1,257	-1,251	-1,401	-1,606	-1,750	-1,500	-1,300	-1,300	-1,300
Capital balance	-979	-818	-1,013	-1,103	-1,269	-1,450	-1,200	-1,070	-1,100	-1,100
Total revenue	5,692	6,439	6,072	6,630	7,546	7,759	7,451	7,224	7,228	7,255
Total expenditure	-5,613	-6,369	-6,184	-6,648	-7,077	-7,511	-7,538	-7,427	-7,522	-7,621
Surplus (deficit) before net financing	79	70	-112	-18	469	248	-87	-204	-293	-367
New direct debt borrowing	0	102	150	0	0	0	50	150	300	400
Direct debt repayment	-24	-18	-23	-37	-28	-21	-24	-31	-33	-51
Net direct debt movement	-24	84	127	-37	-28	-21	26	119	267	349
Overall results	55	154	15	-55	440	227	-60	-84	-26	-17
Debt and Liquidity										
Short-term debt	15	15	15	23	15	22	24	31	33	51
Long-term debt	10	103	238	207	200	178	209	329	601	940
Intergovernmental debt	134	125	116	102	88	82	76	69	61	53
Direct debt	158	243	369	332	304	282	309	428	695	1,044
Other Fitch-classified debt	263	236	198	176	158	158	158	158	158	158
Adjusted debt	421	478	568	509	461	440	466	586	853	1,202
Guarantees issued (excluding adjusted debt portion)	167	173	178	107	121	121	121	121	121	121
Majority-owned GRE debt and other contingent liabilities	421	462	515	531	427	427	427	427	427	427
Overall adjusted debt	1,009	1,114	1,261	1,147	1,010	988	1,014	1,134	1,401	1,750
Total cash, liquid deposits, and sinking funds	1,966	2,107	2,408	2,364	3,175	3,401	3,341	3,257	3,231	3,214
Restricted cash	1,354	1,470	1,852	1,877	2,416	2,701	2,654	2,587	2,566	2,552
Unrestricted cash	612	637	556	487	758	700	688	670	665	661
Net adjusted debt	-191	-159	12	22	-297	-260	-221	-85	188	541
Net overall debt	397	477	705	660	251	288	327	464	736	1,089
Enhanced net adjusted debt	-324	-283	-104	-80	-385	-342	-297	-153	127	487
Enhanced net overall debt	263	352	589	558	163	206	251	395	675	1,036
Memo:										
Debt in foreign currency/direct debt (%)	0	0	0	0	0	-	-	-	-	-
Issued debt/direct debt (%)	0	0	0	0	0	-	-	-	-	-
Floating interest rate debt/direct debt (%)	0	0	2	0	0	-	-	-	-	-

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Source: Fitch Ratings, Autonomous Province of Bolzano

Appendix B: Financial Ratios

Autonomous Province of Bolzano

	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
Fiscal Performance Ratios										
Operating balance/operating revenue (%)	19.2	14.8	15.5	17.3	24.2	22.9	15.7	12.6	11.7	10.8
Current balance/current revenue (%)	19.2	14.8	15.4	17.1	24.1	22.8	15.6	12.4	11.5	10.4
Operating revenue annual growth (%)	0.4	9.0	-2.8	8.6	13.8	3.5	-4.1	-2.2	0.5	0.4
Operating expenditure annual growth (%)	0.7	14.9	-3.6	6.3	4.3	5.3	4.8	1.4	1.4	1.4
Surplus (deficit) before net financing/total revenue (%)	1.4	1.1	-1.8	-0.3	6.2	3.2	-1.2	-2.8	-4.1	-5.1
Surplus (deficit) before net financing/GDP (%)	0.3	0.3	-0.4	-0.1	1.4	0.7	-0.2	-0.6	-0.8	-0.9
Total revenue annual growth (%)	-3.3	13.1	-5.7	9.2	13.8	2.8	-4.0	-3.1	0.1	0.4
Total expenditure annual growth (%)	-6.5	13.5	-2.9	7.5	6.5	6.1	0.4	-1.5	1.3	1.3
Debt Ratios										
Primary Metrics										
Payback ratio (x) (Net adjusted debt to operating balance)	-0.2	-0.2	0.0	0.0	-0.2	-0.2	-0.2	-0.1	0.2	0.7
Enhanced payback ratio (x)	-0.3	-0.3	-0.1	-0.1	-0.2	-0.2	-0.3	-0.2	0.2	0.6
Overall payback ratio (x)	0.4	0.5	0.8	0.6	0.1	0.2	0.3	0.5	0.9	1.4
Enhanced overall payback ratio (x)	0.2	0.4	0.7	0.5	0.1	0.1	0.2	0.5	0.8	1.4
Secondary Metrics										
Fiscal debt burden (%) (Net debt-to-operating revenue)	-3.5	-2.6	0.2	0.4	-4.1	-3.5	-3.1	-1.2	2.7	7.7
Synthetic debt service coverage ratio (x)	-75.4	-89.7	1115.3	637.0	-72.4	-79.8	-62.1	-123.5	51.6	16.5
Actual debt service coverage ratio (x)	42.3	47.7	34.7	24.6	48.0	58.6	35.2	21.0	16.2	9.6
Other Debt Ratios										
Liquidity coverage ratio (x)	61.1	80.7	59.2	37.0	61.3	84.7	57.1	37.4	29.3	18.0
Direct debt maturing in one year/total direct debt (%)	9.5	6.2	4.0	7.0	5.0	7.8	7.8	7.2	4.8	4.9
Direct debt (annual % change)	-13.8	53.3	52.2	-10.1	-8.6	-7.0	9.3	38.7	62.4	50.3
Apparent cost of direct debt (interest paid/direct debt) (%)	0.5	0.5	0.9	2.1	2.5	2.6	2.8	3.0	3.2	3.3
Revenue Ratios										
Tax revenue/total revenue (%)	80.1	78.6	80.6	79.4	84.3	85.5	85.6	86.4	87.1	87.5
Current transfers received/total revenue (%)	12.9	11.2	11.2	11.5	7.6	7.2	6.8	6.8	6.6	6.2
Interest revenue/total revenue (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital revenue/total revenue (%)	3.3	6.8	3.9	4.5	4.5	3.9	4.0	3.2	2.8	2.8
Expenditure Ratios										
Staff expenditure/total expenditure (%)	0.0	17.4	18.5	18.7	18.1	-	-	-	-	-
Current transfers made/total expenditure (%)	0.0	55.8	53.0	50.9	49.9	-	-	-	-	-
Interest expenditure/total expenditure (%)	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.4
Capital expenditure/total expenditure (%)	20.8	19.7	20.2	21.1	22.7	23.3	19.9	17.5	17.3	17.1

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Source: Fitch Ratings, Autonomous Province of Bolzano

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

Fitch's adjusted debt includes PAB's short-term and long-term debt (together direct debt) and other Fitch-classified debt, if present. EUR158 million of other Fitch-classified debt (end-2024) includes outstanding loans granted to municipalities to promote investments in public works and telecommunications.

Fitch's net adjusted debt corresponds to the difference between Fitch's adjusted debt and the cash at year-end that Fitch considers unrestricted. Unrestricted cash is cash at year-end net of working capital (payables minus receivables), provision for difficult-to-collect revenue, and the amounts earmarked for future expenses plus the sinking fund, if present.

Fitch-adjusted debt of EUR461 million includes PAB's direct debt of about EUR304 million (including around EUR88 million of non-interest-bearing intergovernmental loans) and EUR158 million of debt of local municipalities served by PAB. Fitch negative net adjusted debt of EUR297 million corresponds to the difference between Fitch-adjusted debt and cash at year-end that Fitch considers unrestricted (EUR758 million).

Synthetic Coverage Calculations

Fitch's synthetic coverage calculation assumes a mortgage-style amortisation over 15 years of the entity's net adjusted debt, using its average cost of debt.

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