

Historical Territory of Alava

Fitch Ratings assesses the Historical Territory of Alava's Standalone Credit Profile (SCP) at 'aaa', reflecting a 'High Midrange' risk profile and strong debt metrics. The SCP is six notches above Spain's Issuer Default Rating (A-/Stable), which under Fitch's criteria, results in Alava being rated at a maximum of three notches above the sovereign's IDRs.

Key Rating Drivers

Risk Profile - 'High Midrange': We assess Alava's risk profile as 'High Midrange', based on a combination of three key risk factors (KRFs) assessed as 'Midrange' and three KRFs as 'Stronger'. This reflects our view of a low risk relative to international peers that Alava's ability to cover debt service with its operating balance may weaken unexpectedly over the forecast horizon (2024-2028) due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt or debt-service requirements.

Revenue Framework: Alava's operating revenue mostly comprises a diversified basket of taxes, including direct and indirect taxes it collects. Most (86.5%) of these taxes are linked to GDP, and we expect them to benefit from the province's strong economic prospects. Revenue adjustability is strong, as Alava has full rate flexibility on personal income tax (PIT) and other collected taxes (together representing 49% of operating revenue in 2023), with no legal caps on rates, and it can afford to increase taxes due to its above-average GDP per capita.

Expenditure Framework: Alava's responsibilities mostly cover moderately countercyclical and non-cyclical items, and has overall moderate control over spending growth. It retains a moderate flexibility to reduce expenditure given the large share of social spending (39% of net operating spending (opex) in 2023), and staff costs (34%).

Debt Sustainability - 'aaa' Category: Our rating case forecasts Alava's payback ratio -the primary debt sustainability metric -to remain structurally below 2x (leading to a debt sustainability of 'aaa') in 2024-2028. This, together with synthetic debt service coverage at -27x by 2028 (aaa), results in an 'aaa' overall debt sustainability assessment.

Ratings Above the Sovereign: Alava, like the other two Basque provinces, has a special legal and fiscal status. This gives the provinces strong fiscal flexibility and is a positive rating factor, which enhances their ability to be rated above the sovereign. However, ratings above the sovereign are limited to a maximum of three notches when the SCP is six notches above the sovereign's IDR.

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	AA-
Short-Term IDR	F1+

Local Currency

Long-Term IDR	AA-
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Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Issuer Profile Summary

Alava is a province in the south of the Basque Country, with a population of 0.3 million, or 0.7% of the national population. Its GDP per capita is estimated at 50% above the national average and it has a higher proportion of industry than the Spanish average, underlining the province's economic stability.

Financial Data Summary

(EURm)	2023	2028rc
Payback ratio (x)	1.7	-0.4
Synthetic coverage (x)	7.3	-27.4
Actual coverage (x)	1.8	2.2
Fiscal debt burden (%)	40.2	-8.2
Net adjusted debt	274	-63
Operating balance	159	140
Operating revenue	683	766
Debt service	90	63

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, Historical Territory of Alava

Applicable Criteria

[International Local and Regional Governments Rating Criteria \(September 2021\)](#)

Related Research

[Subnationals Rated Above the Sovereign \(July 2021\)](#)

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Rating Synopsis

Historical Territory Alava of LT IDR Derivation Summary

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

Higher Influence Lower Influence KRF

Source: Fitch Ratings

The six KRFs, combined according to their relative importance, collectively represent the risk profile of the local and regional government (LRG). The risk profile and debt sustainability assessments, which measure the LRG's debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon, are combined in a SCP. The SCP, together with some additional factors not captured in the SCP, like extraordinary support or rating cap, produce the IDR.

Rating Sensitivities

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

- Alava's IDRs could be upgraded if the sovereign IDRs are upgraded by two notches, while Alava's SCP remains at 'aaa'.

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

- Alava's IDRs could be downgraded if the sovereign IDRs are downgraded. The IDRs could also be downgraded if the SCP is revised downwards to the 'aa' category with a deterioration of the payback ratio to above 5x, or synthetic debt service coverage to below 2x on a sustained basis in our rating case.

Issuer Profile

The Autonomous Community of the Basque Country's institutional framework differs from the rest of the country, in recognition of the region's historical rights that give it much greater autonomy than common regions in Spain.

The central government grants the provinces the rights to collect and administer all taxes generated within the Basque territory, which pays for those responsibilities that are not transferred to the Basque Country due to their national importance (such as justice, defence, foreign and institutional relations, and national administration).

Historical territories collect taxes but are not in charge of creating them. The territories manage the rate and base for PIT, corporation tax, gift & inheritance tax, wealth and wealth transfer and legal documents. VAT and special taxes are set by the central government to avoid creating regional disparities. Once the historical territories have collected

their respective taxes, they transfer a proportion to the Basque Country and its municipalities. The share for the Basque government is determined for a five-year period.

In Spain, historical territories are responsible for agriculture, social spending, promotion of culture, tax and collection of duties, transportation, public administration, employment and equality, and infrastructure and economic development within their regions.

Alava is a province in the south of the Basque Country. Under the terms of the Spanish Constitution, the province is considered a historical territory in recognition of historical rights that grant it wide fiscal powers.

Fitch classifies Alava as a 'Type B' LRG, meaning that it is required to cover debt service from cash flow annually. Alava's main responsibilities cover social services and infrastructure.

Alava is a wealthy province by national and international standards, with GDP per capita estimated in 2021 at 50% above Spain's average. The industrial sector is 29% of GDP, with a focus on the manufacturing sector. The main companies involved in this sector are the multi-national French tire manufacturer Compagnie Financiere Michelin SA (A-/Stable) and the German automobile manufacturer Mercedes-Benz (A/Stable), part of Daimler AG.

The rate of unemployment is 5.0%, lower than the national average (11.8%), and the province's population is growing moderately (10.3% annual growth in 2021). It has nearly 336,700 inhabitants.

Socioeconomic Indicators

	Alava	Spain
Population, 2023 (m)	0.3	47.6
GDP per capita, 2021 (EUR)	38,829	25,801
GRP growth, 2021 (%)	10.3	9.2
Inflation, 2023 (%)	2.5	3.1
Unemployment rate, 4Q23 (%)	5.0	11.8

Source: Fitch Ratings, national statistics, Historical Territory of Alava

Risk Profile Assessment

Risk Profile: High Midrange

Fitch assesses Alava's risk profile as 'High Midrange', reflecting the combination of the assessments below:

Risk Profile Assessment

Risk Profile	Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility
High Midrange	Stronger	Stronger	Midrange	Midrange	Stronger	Midrange

Source: Fitch Ratings

Alava's risk profile reflects a combination of 'Midrange' and 'Stronger' assessments of six KRFs. Fitch sees a low risk that the province's ability to cover debt service with its operating balance may weaken unexpectedly over 2024-2028, due to lower-than-projected revenue, higher-than-forecast expenditure or an unexpected rise in liabilities or debt-service requirements.

Revenue Robustness: Stronger

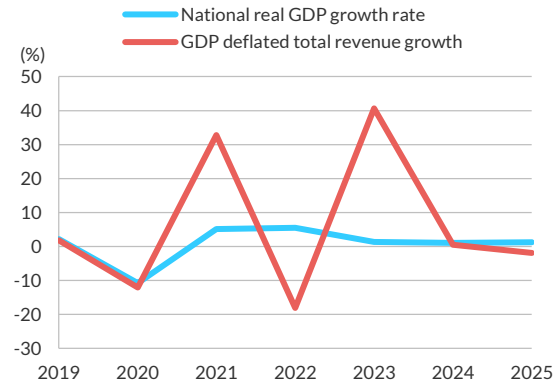
Alava's operating revenue mostly comprises a diversified basket of taxes, including direct and indirect taxes it collects, such as PIT, VAT and corporate income tax. Most (94.0% of gross operating revenue) of these taxes are linked to GDP, and should benefit from the province's strong economic prospects.

PIT and VAT are major contributors (38.6% and 39.3% of gross operating revenue, respectively, in 2023). VAT is more volatile, partly due to adjustments (related to imports and exports) in the provincial accounts with time lags, while underlying activity is generally stable.

Fitch views Alava's revenue volatility as low once adjusted to one-off items; its operating revenue volatility was 10% for the past 10 years (volatility is expressed as standard deviation relative to the average). However, this volatility is affected by a one-off revenue of EUR99 million from the central government agreed in May 2017 and the exceptional revenues received in 2021.

Revenue growth has exceeded GDP growth over the past 10 years, and the province’s socioeconomic profile is also above the national average. Alava’s economy has been resilient to downtrends, due to its sizeable industrial sector that helps to stabilise the economy. We have included the downturn into our debt sustainability assessment through our rating-case scenario, but it does not affect our assessment of revenue robustness.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, Historical Territory of Alava

Revenue Breakdown, 2023

	Operating revenue (%)	Total revenue (%)
PIT	38.6	29.3
VAT	39.3	29.9
Corporate Income Tax	10.4	7.7
Other taxes	6.2	5.0
Transfers	3.9	16.6
Fees & fines	1.6	6.9
Operating revenue	100.0	95.5
Interest revenue	-	1.3
Capital revenue	-	3.2
Total revenue	-	100.0

Source: Fitch Ratings, Fitch Solutions, Historical Territory of Alava

Revenue Adjustability: Stronger

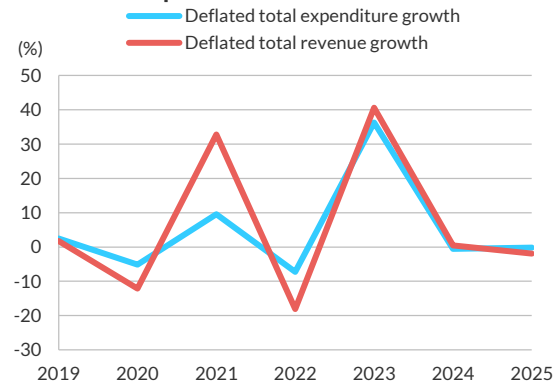
Alava has full rate flexibility on PIT and some other taxes (together representing 49.4% of operating revenues in 2023), with no legal caps on rates. We see strong affordability of taxpayers for a tax increase, underpinned by the province’s average salary and GDP per capita being materially above the national average, while its tax rates are lower than the national average, leaving scope for tax raises.

Expenditure Sustainability: Midrange

Alava has overall moderate control over spending growth. This reflects social spending, which we expect to face growing pressure from demographic growth and an ageing population. In 2018-2023, gross opex CAGR was 6.8%, matching operating revenue CAGR, while social spending CAGR over the past 10 years was 2.3%.

Moderately cyclical and non-cyclical expenditure - which is independent of the state of the economy - accounts for almost all of opex. The remainder is for employment-related expenditure, which tends to increase during an economic downturn.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, Historical Territory of Alava

Expenditure Breakdown, 2023

	Operating expenditure (%)	Total expenditure (%)
Staff cost	33.9	27.5
Goods and services	32.5	26.3
Transfers to other budgets	33.6	27.3
Operating expenditure	100.0	81.1
Interest expenditure	-	1.8
Capital expenditure	-	17.1
Total expenditure	-	100.0

Source: Fitch Ratings, Fitch Solutions, Historical Territory of Alava

Expenditure Adjustability: Midrange

Alava is not subject to balanced-budget rules and has not run a deficit since the introduction of the Budget Stability Law in 2012. However, in times of budget deficits, the province and the Basque government collaborate to distribute the deficit among themselves, while taking into consideration the municipality’s financing needs.

Alava's opex is largely rigid, comprising social spending (38% of net opex in 2023) and staff costs (33.9%), with the latter due to wages being decided nationally. Fitch sees more flexibility on capex (17.1% of total spending (totex)), which could be postponed or scaled back. Overall, we estimate the share of inflexible expenditure at 70%-90%.

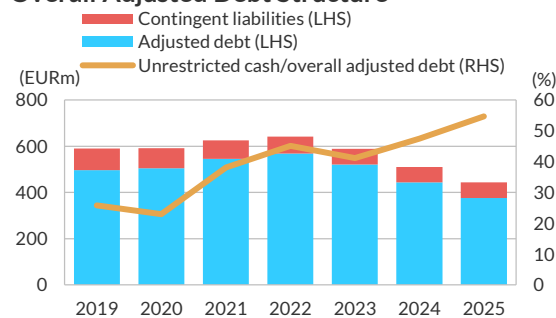
Mandatory expenditure accounts for 63% of totex; this includes responsibilities related to agriculture, tax inspection and collection-related duties, public administration, employment, equality infrastructure and economic development within the province's territories; with the exception of capex (See Appendix A: Financial Data).

Liabilities and Liquidity Robustness: Stronger

Alava's liabilities carry low risk with no short-term debt and have low maturity concentration with an average life of debt at 4.6 years. The direct debt portfolio is entirely denominated in euros. The average cost of debt was about 2.2% in 2023, and the amount of floating-rate debt was high at 23%, but is mitigated by interest income from invested cash. Off-balance-sheet risk is limited, consisting mainly of debt and guarantees to public-sector companies involved in building a toll motorway linking Vitoria and Eibar (representing 0.6x operating balance in 2023).

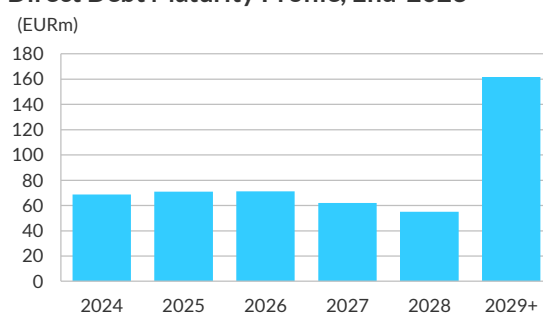
Alava has exposure to floating interest rates (the share of unhedged floating-rate debt was 23% in 2023). However, Fitch believes that the region could access financial products to cover this risk under a rising interest-rate environment or renegotiate its debt with fixed interest rates. The province has little refinancing risk, as its debt maturities are below forecast operating balances from 2023, with an annual average principal repayment of EUR41 million until 2036.

Overall Adjusted Debt Structure



Source: Fitch Ratings, Historical Territory of Alava

Direct Debt Maturity Profile, End-2023



Source: Fitch Ratings, Alava, Historical Territory of

Liabilities and Liquidity Flexibility: Midrange

Alava's unrestricted cash totalled EUR243 million, which was 1.5x operating balance in 2023. Alava also has EUR150 million of credit lines at its disposal from Spanish banks rated 'BBB-' to 'A+'.

Alava had EUR114.6 million in available cash at end-2020, but Fitch offsets this to neutralise payables that exceed receivables registered at end-2020. Hence, unrestricted cash was EUR113.1 million.

At end-2020, Alava had EUR64 million available in short-term liquidity in various forms, including short-term loans, current accounts; these are with Spanish banks that are rated from 'BBB-' to 'A+', corresponding with a 'Midrange' assessment.

Debt Analysis

	2023
Fixed rate (% of direct debt)	77
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	2
Weighted average life of debt (years)	4.6

Source: Fitch Ratings, Alava, Historical Territory of

Liquidity

(EURm)	2023
Total cash, liquid deposits and sinking funds	254
Restricted cash	12
Cash available for debt service	243
Undrawn committed credit lines	150

Source: Fitch Ratings, Alava, Historical Territory of

Debt Sustainability Assessment

Debt Sustainability: 'aaa' Category

Debt Sustainability Table - Type B LRG

Debt Sustainability Metrics Summary

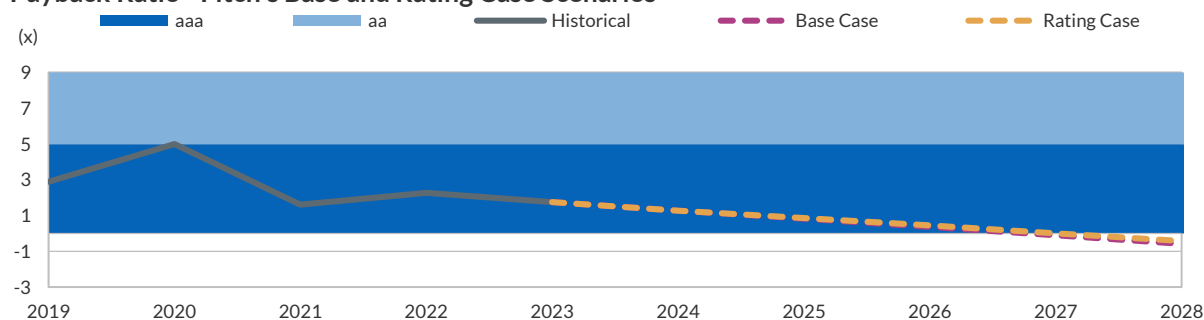
	Primary Metric	Secondary Metrics	
	Payback Ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	$X \leq 5$	$X \geq 4$	$X \leq 50$
aa	$5 < X \leq 9$	$2 \leq X < 4$	$50 < X \leq 100$
a	$9 < X \leq 13$	$1.5 \leq X < 2$	$100 < X \leq 150$
bbb	$13 < X \leq 18$	$1.2 \leq X < 1.5$	$150 < X \leq 200$
bb	$18 < X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

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

Source: Fitch Ratings

This is a text exhibit 'Debt Sustainability Score Text'. See instructions in side pane.

Payback Ratio - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Historical Territory of Alava

Operating Performance and Debt Ratios

Alava posted high and stable operating balances, which averaged EUR137 million in 2018-2023, equivalent to a 28% operating margin. Alava's operating revenue CAGR was high at 5.7% in 2018-2023, driven by an increase in taxes that was boosted by GDP growth and a strong labour market. The amount of funds transferred to the Basque Country gradually increased in 2019-2023; it is calculated as a percentage of overall revenue.

Alava's budget performance in 2023 was stronger than we anticipated, the operating balance increased to EUR159 million from EUR122 million in 2022. Gross operating revenue increased by 26%, based on higher funds from taxes as a consequence of higher unemployment. Operating expenses saw a 9% surge due to rising inflation and escalating wage-related costs.

Gross opex grew by 25% as a result of the 4% increase in the funds transferred to the Basque Country as a result of higher collection. Additionally, goods and services just grew by 3% yoy.

Fitch expects the operating performance to deteriorate in 2024 by only EUR2 million. We expect the operating revenue to increase by only 1% in 2024, as a result of the lack of any extraordinary revenue, despite the positive economic trend. Gross opex is expected to also grow by 1%.

Capex Program

Alava's capex is EUR95 million a year on average in 2019-2023, or 17% of totex in 2023, which is below the percentage of totex of the other two provinces. In our rating-case scenario for 2024, we assume that capex will increase by EUR9 million due to investment projects partly funded with EU recovery funds and with the surplus obtained in 2023.

In 2025 and beyond, the LRG is going to adjust this capex in order to comply with stability targets, and continue with the surpluses.

We assume that capex will increase in 2024-2028 to EUR114 million on average (or 19% of totex) and the capital balance will be nearly negative EUR83 million a year.

Scenario Assumptions Summary

Assumptions	2019-2023	2024 - 2028 Average	
		Base Case	Rating Case
Operating revenue growth (%)	6.6	2.7	2.3
Tax revenue growth (%)	8.0	2.7	2.3
Current transfers received growth (%)	4.8	2.8	2.4
Operating expenditure growth (%)	7.0	3.6	3.6
Net capital expenditure (average per year; m)	-80	-83	-83
Apparent cost of debt (%)	1.8	3.1	3.0

Outcomes	2023	2028	
		Base Case	Rating Case
Payback ratio (x)	1.7	-0.6	-0.4
Synthetic coverage ratio (x)	7.3	-17.7	-27.4
Fiscal debt burden (%)	40.2	-12.2	-8.2

Source: Fitch Ratings, Alava, Historical Territory of

SCP Positioning and Peer Comparison

SCP Positioning Table

Risk Profile	Debt Sustainability					
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

Alava compares well with other historical territories in terms of risk profile (High Midrange) and debt sustainability (aaa). It has the same SCP and IDR as Bizkaia and Gipuzkoa. In our rating-case scenario, Alava's payback ratio is similar to Gipuzkoa's.

Alava's debt sustainability metrics and liquidity ratios are stronger than most of its peers below, and some Italian peers have a weaker risk profile as Alava's revenue is more resilient, with a stronger socioeconomic profile (measured in terms of GDP per capita) and stronger revenue adjustability.

Alava has stronger debt sustainability metrics (payback ratio) and a stronger liquidity coverage ratio, compared with Italian peers. The Italian provinces of Bolzano and Trento are also rated above the sovereign since the Italian constitution grants the entities broader legislative and administrative powers, and significant financial autonomy. However, Italy's lower sovereign rating of 'BBB' results in lower IDRs.

Peer Comparison

	Risk Profile	Primary Metric (x)	SCP	IDR	Outlook
Historical Territory of Alava	High Midrange	-0.4	aaa	AA-	Stable
Historical Territory of Gipuzkoa	High Midrange	0.7	aaa	AA-	Stable
Historical Territory of Bizkaia	High Midrange	4.2	aaa	AA-	Stable
Autonomous Province of Trento	High Midrange	1.0	aaa	A-	Stable
Autonomous Region of Valle d'Aosta	Midrange	1.3	aa+	A-	Stable
Autonomous Province of Bolzano	High Midrange	0.3	aaa	A-	Stable

Source: Fitch Ratings

Long Term Rating Derivation

From SCP to LT IDR: Factors Beyond the SCP

SCP	Sovereign LT FC IDR	Support			Asymmetric Risks	Rating Cap	Leeway above Sovereign (notches)	LT FC IDR
		Intergovern. Financing	Ad-hoc Support	Floor				
aaa	A-	-	-	-	-	AA-	3	AA-

Source: Fitch Ratings, Historical Territory of Alava

Alava's SCP is assessed at 'aaa', reflecting a combination of a 'High Midrange' risk profile and debt sustainability assessment at 'aaa' under Fitch's rating case. The SCP is six notches above the Spanish sovereign's 'A-' IDRs, which under Fitch's criteria, results in Alava being rated three notches above the sovereign's IDR, which is the maximum possible notching. Fitch factors in peer comparison in its assessment, and does not apply any asymmetric risk.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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 <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Appendix A: Financial Data

Historical Territory of Alava

(EURm)	2019	2020	2021	2022	2023	2024rc	2025rc	2026rc	2027rc	2028rc
Fiscal performance										
Taxes	360	304	321	433	515	519	535	549	563	578
Transfers received	106	97	207	60	119	120	124	127	130	134
Fees, fines and other operating revenues	52	45	50	49	49	49	51	52	54	55
Operating revenue	517	447	577	543	683	688	710	729	747	766
Operating expenditure	-377	-373	-387	-421	-524	-531	-554	-577	-601	-626
Operating balance	141	74	191	122	159	157	156	151	146	140
Interest revenue	1	1	1	2	10	8	8	8	8	8
Interest expenditure	-10	-9	-8	-9	-12	-11	-10	-9	-8	-7
Current balance	132	66	184	116	157	155	154	151	146	141
Capital revenue	10	12	11	22	23	43	21	27	33	33
Capital expenditure	-101	-77	-90	-99	-110	-119	-109	-112	-115	-115
Capital balance	-92	-65	-79	-77	-88	-77	-88	-85	-82	-82
Total revenue	528	460	589	566	715	739	739	764	789	808
Total expenditure	-488	-458	-484	-528	-646	-661	-673	-698	-724	-748
Surplus (deficit) before net financing	40	1	104	39	69	78	66	66	64	60
New direct debt borrowing	55	82	107	90	0	-9	5	6	-2	-4
Direct debt repayment	-64	-74	-66	-68	-78	-69	-71	-72	-62	-56
Net direct debt movement	-9	8	41	23	-78	-78	-66	-66	-64	-60
Overall results	31	9	145	61	-9	0	0	0	0	0
Debt and liquidity										
Short-term debt	0	0	0	0	0	0	0	0	0	0
Long-term debt	497	505	545	568	490	412	345	279	215	155
Intergovernmental debt	0	0	0	0	0	0	0	0	0	0
Direct debt	497	505	545	568	490	412	345	279	215	155
Other fitch-classified debt	0	0	0	0	32	32	31	30	30	29
Adjusted debt	497	505	545	568	522	443	376	310	245	185
Guarantees issued (excluding adjusted debt portion)	25	24	24	24	23	23	23	23	23	23
Majority-owned GRE debt and other contingent liabilities	68	62	57	51	44	44	44	44	44	44
Overall adjusted debt	590	591	626	642	589	511	444	377	312	252
Total cash, liquid deposits, and sinking funds	161	148	257	293	254	254	254	254	254	254
Restricted cash	9	12	19	4	12	12	12	12	12	12
Unrestricted cash	152	136	239	290	243	243	243	243	243	243
Net adjusted debt	345	369	307	279	279	201	134	67	2	-58
Net overall debt	438	455	388	353	346	268	201	135	70	10
Enhanced net adjusted debt	345	369	307	279	279	201	134	67	2	-58
Enhanced net overall debt	438	455	388	353	346	268	201	135	70	10
Memo:										
Debt in foreign currency / Direct debt (%)	0	0	0	0	0	-	-	-	-	-
Issued debt / Direct debt (%)	10	10	9	9	0	-	-	-	-	-
Floating interest rate debt / Direct debt (%)	30	20	23	23	23	-	-	-	-	-

rc - rating case

Source: Fitch Ratings, Historical Territory of Alava

Appendix B: Financial Ratios

Historical Territory of Alava

	2019	2020	2021	2022	2023	2024rc	2025rc	2026rc	2027rc	2028rc
Fiscal performance ratios										
Operating balance/operating revenue (%)	27.2	16.5	33.1	22.5	23.3	22.8	21.9	20.8	19.5	18.3
Current balance/current revenue (%)	25.4	14.7	31.8	21.2	22.7	22.2	21.5	20.4	19.3	18.3
Operating revenue annual growth (%)	4.1	-13.7	29.2	-6.0	25.8	0.8	3.1	2.7	2.6	2.6
Operating expenditure annual growth (%)	1.0	-1.0	3.7	8.8	24.5	1.4	4.4	4.2	4.2	4.2
Surplus (deficit) before net financing/total revenue (%)	7.6	0.3	17.7	6.8	9.7	10.6	9.0	8.6	8.2	7.4
Surplus (deficit) before net financing/GDP (%)	0.3	0.0	0.9	0.3	0.4	0.5	0.4	0.4	0.4	0.3
Total revenue annual growth (%)	3.4	-12.9	28.1	-3.9	26.3	3.4	0.0	3.3	3.2	2.4
Total expenditure annual growth (%)	4.1	-6.0	5.7	8.9	22.4	2.3	1.9	3.7	3.8	3.3
Debt ratios										
Primary metrics										
Payback ratio (x) (Net adjusted debt to operating balance)	2.4	5.0	1.6	2.3	1.8	1.3	0.9	0.4	0.0	-0.4
Enhanced payback ratio (x)	2.4	5.0	1.6	2.3	1.8	1.3	0.9	0.4	0.0	-0.4
Overall payback ratio (x)	3.1	6.2	2.0	2.9	2.2	1.7	1.3	0.9	0.5	0.1
Enhanced overall payback ratio (x)	3.1	6.2	2.0	2.9	2.2	1.7	1.3	0.9	0.5	0.1
Secondary metrics										
Fiscal debt burden (%) (Net debt-to-operating revenue)	66.7	82.6	53.2	51.3	40.9	29.2	18.9	9.2	0.3	-7.5
Synthetic debt service coverage ratio (x)	5.2	2.7	8.3	5.7	7.2	9.8	14.4	27.3	779.7	-27.4
Actual debt service coverage ratio (x)	1.9	0.9	2.6	1.6	1.8	2.0	1.9	1.9	2.1	2.2
Other debt ratios										
Liquidity coverage ratio (x)	3.8	2.7	4.4	4.8	5.0	5.0	4.9	4.9	5.5	6.1
Direct debt maturing in one year/total direct debt (%)	12.9	13.2	12.5	13.8	14.0	0.0	0.0	0.0	0.0	0.0
Direct debt (annual % change)	-1.8	1.6	8.0	4.2	-13.8	-16.0	-16.1	-19.1	-23.1	-27.7
Apparent cost of direct debt (interest paid/direct debt) (%)	1.9	1.8	1.5	1.5	2.2	2.4	2.6	2.9	3.3	3.8
Revenue ratios										
Tax revenue/total revenue (%)	68.2	66.2	54.5	76.5	72.1	70.2	72.4	71.9	71.4	71.5
Current transfers received/total revenue (%)	20.1	21.2	35.1	10.7	16.6	16.2	16.7	16.6	16.5	16.5
Interest revenue/total revenue (%)	0.1	0.2	0.1	0.3	1.3	1.1	1.1	1.1	1.1	1.0
Capital revenue/total revenue (%)	1.9	2.6	1.8	3.8	3.2	5.8	2.9	3.6	4.2	4.1
Expenditure ratios										
Staff expenditure/total expenditure (%)	32.1	34.8	33.3	32.7	27.5	-	-	-	-	-
Current transfers made/total expenditure (%)	13.7	14.4	15.9	18.8	27.3	-	-	-	-	-
Interest expenditure/total expenditure (%)	2.0	1.9	1.6	1.6	1.8	1.6	1.5	1.3	1.1	0.9
Capital expenditure/total expenditure (%)	20.8	16.7	18.6	18.7	17.1	18.0	16.2	16.0	15.9	15.3

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Source: Fitch Ratings, Historical Territory of Alava

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

Fitch's adjusted debt (EUR522 million at end-2023) includes Alava's direct debt (EUR490 million), as well as EUR32 million of other Fitch-classified debt (related to three public-private partnerships contracts for nursing homes). Net adjusted debt corresponds to the difference between adjusted debt and the year-end available cash viewed as unrestricted by Fitch (EUR243 million at end-2023).

Alava's available cash was EUR254 million at end-2023, of which Fitch considers EUR12 million as restricted, as it corresponds to the gap between receivables (net of provisions for difficult-to-collect revenue) and payables.

Specific Adjustments

Institutional transfers to the state, regional and municipal governments, which are based on shared taxes collected by the province and account for about 80% of operating revenue, are deducted from the operating revenue and expenditure.

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