Historical Territory of Alava

The affirmation of the Historical Territory of Alava's ratings reflects its unchanged Standalone Credit Profile (SCP) of 'aaa', reflecting a 'High Midrange' risk profile and a financial profile that Fitch Ratings assesses in the 'aaa' category under its rating-case scenario.

The SCP is five notches above Spain's Issuer Default Rating (IDR) of 'A'/Stable, which under Fitch's criteria, results in Alava's rating being limited to a maximum two notches above the sovereign's.

Key Rating Drivers

'High Midrange' Risk Profile: Fitch assesses Alava's six key risk factors as a mix of three 'Strong' and three 'Midrange'. The 'High Midrange' risk profile assessment reflects a low risk relative to international peers that the issuer's ability to cover debt service with the operating balance may weaken unexpectedly over the forecast horizon (2025-2029), either because of lower-than-expected revenue or higher-than-expected expenditure, or because of an unanticipated rise in liabilities or debt-service requirements.

Revenue Framework: Alava's revenue is well-diversified and moderately cyclical. VAT and personal income tax (PIT) each contribute roughly a third of gross operating revenue; VAT is more volatile due to lagged import/export adjustments.

Fitch views volatility as moderate and revenue flexibility high, with full rate-setting power on PIT and other taxes (44% of revenue) and no legal caps, and broad authority within the Basque framework supports stronger adjustability. Affordability is strong given above-national salary and GDP per capita, though Alava lacks legal control over VAT and special taxes.

Expenditure Framework: Alava's responsibilities are mostly moderately countercyclical and non-cyclical items, led by social spending. Spending control is moderate, with opex growth outpacing revenue in 2020–2025 and social spending rising about 2% annually in the past decade. Flexibility over staff costs is low due to nationally set wages, while operating spending is largely rigid (social and staff costs dominate). Capex offers more flexibility and can be postponed or scaled back.

Debt Framework: Alava's debt risk is contained, with euro-denominated debt, no short-term maturities, and a 5.1-year average life. The 2024 average cost was about 2.0%; floating-rate exposure (34.9%) is partly offset by interest income. Off-balance-sheet risk is limited.

Financial Profile – 'aaa' Category: We expect Alava's payback ratio – the primary financial profile metric – to remain strong at 1.9x (aaa) in 2029 in our rating case (2024: 2.6x). This, together with forecast synthetic debt service coverage at 6.5x in 2029 (2024: 4.9x), results in an overall 'aaa' financial profile 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 two notches when the SCP is five 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-
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 300,000, or 0.7% of the national population. Its GDP is more than 39% 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)	2024	2029rc
Payback ratio (x)	2.6	1.9
Synthetic coverage (x)	4.9	6.5
Fiscal debt burden (%)	46.3	24.4
Net adjusted debt	301	205
Operating balance	115	111
Operating revenue	650	840
Debt service	79	-46

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

Applicable Criteria

Rating Subnationals Above the Sovereign (October 2025)

International Local and Regional Governments Rating Criteria (August 2024)

Related Research

Spanish Subnationals Under Special Status - Framework Report (November 2024)

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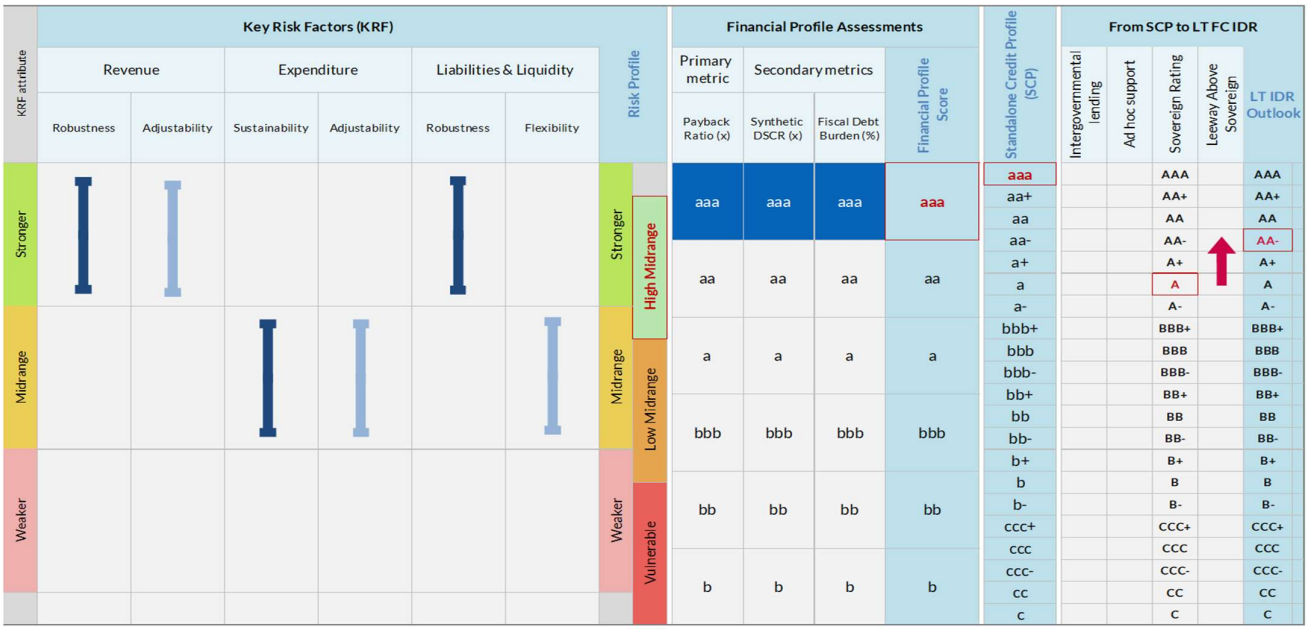
Rating Synopsis

Alava, Historical Territory of LT IDR Derivation Summary



Source: Fitch Ratings

The six key risk factors, combined according to their relative importance, collectively represent the risk profile of the local and regional government (LRG). The risk profile and financial profile 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 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

Alava's IDR could be upgraded if the sovereign IDR was upgraded by one notch and its SCP remained 'aaa'.

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

The province's IDRs could be downgraded if the sovereign IDRs were downgraded by two notches.

The IDRs could also be downgraded if the SCP was revised down 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 and inheritance tax, wealth and wealth transfer and legal documents. The central government sets VAT and special taxes 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 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 2022 at 34% above Spain's average. The industrial sector represents 29% of GDP, with a focus on the manufacturing sector. The main companies in this sector are the multi-national French tyre manufacturer Compagnie Financiere Michelin SA (A/Stable) and the German automobile manufacturer Mercedes-Benz, part of the Daimler AG.

Mercedes-Benz has faced some difficulties in 2025 due to rising interest rates, increased vehicle prices, uncertainty around the electric transition, and stronger competition from Chinese manufacturers. Nevertheless, its investment plan remains in place to lead the shift to electric mobility, and envisages about EUR1 billion–1.2 billion to transform and expand the plant , focusing on a new generation of medium-size electric vans.

The rate of unemployment is 6.6%, lower than the national average (10.6%) and the province's population is growing moderately (0.7% annually in 2024). It has nearly 339,00 inhabitants.

Socioeconomic Indicators

	Alava	Spain
Population, 2024 (m)	0.3	48.6
GDP per capita, 2022 (EUR000)	38.6	28.7
GRP growth, 2022 (%)	8.5	11.2
Inflation, 2024 (%)	3.2	2.8
Unemployment rate, 2024 (%)	6.6	10.6

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

Risk Profile Assessment

Risk Profile: High Midrange

Fitch assesses Alava'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	Midrange	Stronger	Midrange	aa	High Midrange

Source: Fitch Ratings

The 'High Midrange' risk profile reflects the combination of three 'Strong' and three 'Midrange' key risk factors. This highlights Fitch's view of a low risk that Alava's ability to cover debt service with the operating balance may weaken unexpectedly in 2025-2029. This may be due to lower-than-projected revenue, higher-than-anticipated expenditure, or an unexpected rise in liabilities or debt-service requirements.

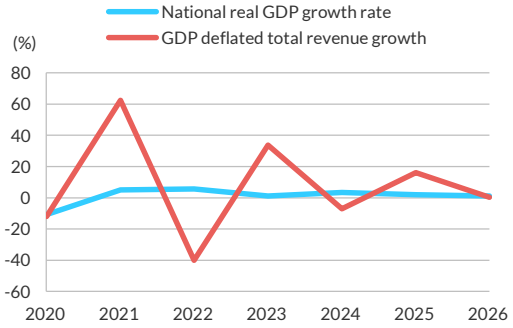
Revenue Robustness: Stronger

Alava's operating revenue mostly comprises a basket of taxes, including direct and indirect taxes it collects, such as PIT, VAT, and corporate income tax. Most of these (91.6% of gross operating revenue) are linked to GDP and are likely to benefit from the province's strong economic prospects. PIT and VAT are major components of revenue (30.5% and 31.1%, respectively, in 2024). VAT is more volatile, due partly to lagged adjustments (related to imports and exports) in the provincial accounts, while underlying activity is generally stable.

Fitch views Alava's revenue volatility as 'Moderate'; in the past 10 years operating revenue volatility was 10.2% for (volatility is expressed as standard deviation relative to the average). However, this is affected by one-off revenue of EUR99 million from the central government agreed in May 2017 and the exceptional revenues received in 2021.

Almost all taxes are strongly linked to GDP and affects revenue volatility. In the past decade, growth in revenue growth has exceeded that of GDP and the province's socioeconomic profile is also above the national average. Alava's economy has rebuffed downtrends, due to its large industrial sector that provides economic stability. We have included the downturn in our financial profile 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, 2024

	Operating revenue (%)	Total revenue (%)
PIT	30.5	29.0
VAT	31.1	29.6
Corporate income tax	9.5	9.1
Other taxes	3.7	3.5
Transfers	8.0	7.6
Fees and fines	17.2	16.4
Operating revenue	**100.0**	**95.2**
Interest revenue	-	1.4
Capital revenue	-	3.5
Total revenue	**-**	**100.0**

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

Revenue Adjustability: Stronger

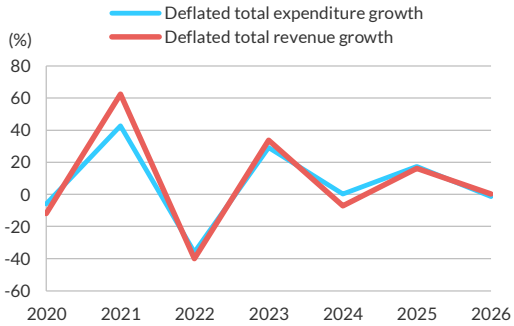
Alava has full rate control on PIT and some other taxes (together representing 44% of operating revenue in 2024), and rates are not capped. We believe the province's ability to increase taxes is strong, underpinned by the average salaries and GDP per capita being higher than the national average, while its tax rates are lower, leaving scope for increases.

Within the Basque Country institutional framework, the historical territories have total control of tax revenue, supporting our 'Stronger' assessment of revenue adjustability. Alava does not control VAT and special tax rates, but these still represent a significant share of gross operating revenue. Salary levels and GDP per capita in the province are about the national and EU averages, so taxpayers are able to accommodate higher taxes.

Expenditure Sustainability: Midrange

Alava's control of spending growth is moderate. This reflects social spending, which we expect will face growing pressure from an expanding, ageing population. In 2020-2025, gross opex CAGR was 2.8%, higher than operating revenue CAGR of 1.4%, while social spending CAGR in the past 10 years was about 2%. Moderately cyclical and non-cyclical expenditure accounts for almost all opex. The remainder is for employment-related spending, which tends to increase during downturns.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, Historical Territory of Alava

Expenditure Breakdown, 2024

	Operating expenditure (%)	Total expenditure (%)
Staff cost	34.4	27.6
Goods and services	34.6	27.7
Transfers to other budgets	31.0	24.9
Operating expenditure	**100.0**	**80.2**
Interest expenditure	-	1.5
Capital expenditure	-	18.3
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 operating spending is largely rigid, comprising social spending (about 40% of net opex in 2024) and staff costs (34.4%), with the latter due to wages being decided nationally. Fitch believes the provinces has greater flexibility over capex (18.3% of totex), which it could postpone or scale back. We estimate the overall share of inflexible expenditure at 70%-90%.

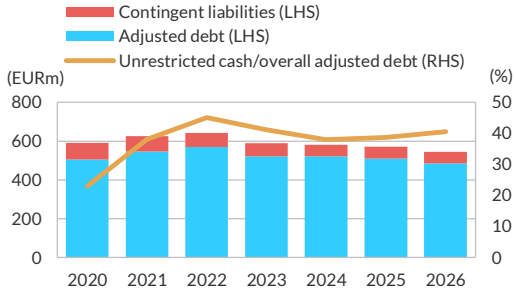
Mandatory expenditure includes responsibilities related to agriculture, tax inspection and collection-related duties, public administration, employment, equality infrastructure and economic development within the province's territories; apart from capex (See *Appendix A: Financial Data*).

Liabilities and Liquidity Robustness: Stronger

Alava's liabilities are low risk with no short-term debt and have low maturity concentration with an average life of debt at 5.1 years. The direct debt portfolio is entirely euro-denominated. The average cost of debt was about 2.0% in 2024, and the amount of floating-rate debt was high at 34.9% 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 Donostia-San Sebastián and Eibar (representing 0.5x operating balance in 2024).

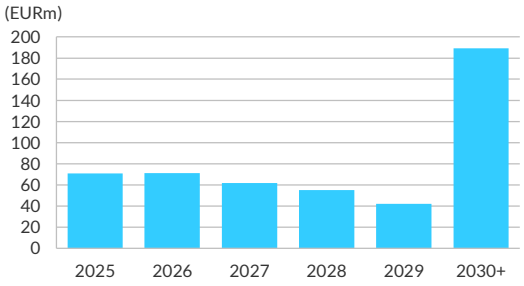
Alava is exposed to floating interest rates. However, Fitch believes that the region could access financial products to cover this risk if interest rates rise or could renegotiate its debt with fixed interest rates. Refinancing risk is low, as the province's debt maturities are lower than forecast operating balances from 2025, with an annual average principal repayment of EUR38 million until 2036.

Overall Adjusted Debt Structure



Source: Fitch Ratings, Historical Territory of Alava

Debt Maturity Profile



Source: Fitch Ratings, Alava, Historical Territory of

Liabilities and Liquidity Flexibility: Midrange

Alava had EUR220 million of unrestricted cash at end-2024, equivalent to 1.7x the operating balance, and EUR150 million of committed credit lines from Spanish banks rated 'BBB-' to 'A+'. Fitch typically offsets available cash to neutralise payables exceeding receivables; for 2024, this adjustment was zero, so unrestricted cash remained at EUR220 million.

Debt Analysis

	2024
Fixed rate (% of direct debt)	65
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	2
Weighted average life of debt (years)	5.1

Source: Fitch Ratings, Historical Territory of Alava

Liquidity

(EURm)	2024
Total cash, liquid deposits and sinking funds	220
Restricted cash	0
Cash available for debt service	220
Undrawn committed credit lines	150

Source: Fitch Ratings, Historical Territory of Alava

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

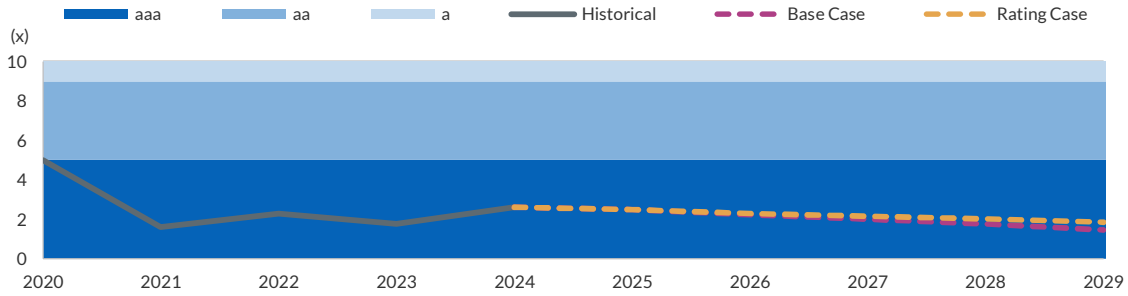
Note: Yellow highlights show metric ranges applicable to Issuer
Source: Fitch Ratings

As a 'type B' LRG, Alava's primary metric is the payback ratio, which remains below 5x in 2029 (aaa). Together with forecast synthetic debt service coverage of below four years in 2029 (aaa), this justifies the province's financial profile of 'aaa'.

We expect the operating balance to edge up to EUR116 million in 2025 from EUR115 million in 2024 and to then decline to EUR111 million in 2029, as spending rises (6.4%), outpacing revenue increases (5.3% on average).

We expect Alava to have direct debt of EUR479 million at end-2025, slightly less than EUR490 million the previous year, and to decline under our rating case to EUR394 million in 2029, driven by a stable operating balance. Our rating case for 2025 assumes capex will increase by EUR20 million, due to investment projects that are partly funded with EU recovery funds, and with the surplus obtained in 2024.

Payback Ratio - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Historical Territory of Alava

Operating Performance and Debt Ratios

Alava has recorded high, stable operating balances, which averaged EUR132 million in 2020-2024, equivalent to a 20% operating margin. Alava's operating revenue CAGR was high, at 1.4% in 2020-2024, driven by an increase in tax collection that was boosted by GDP growth and a strong labour market. The amount of funds transferred to the Basque Country gradually increased in 2020-2024, and is calculated as a percentage of revenue.

In 2024, the operating balance declined to EUR115 million from EUR159 million in 2023. Gross operating revenue decreased by 5%, based on lower funds from taxes because of higher unemployment. Operating expenses increased by only 2% due to stable costs during the year. Alava's budget performance in 2024 was weaker than our forecast of EUR157 million.

Fitch expects the operating performance in 2025 to be broadly in line with prior years, despite the positive economic trend. We expect the operating revenue to increase by 18% in 2025, as a result of a strong budget, while gross operating expenses are expected to rise by 26%.

Capex Programme

Alava's capex averaged EUR100 million a year in 2020-2024, or 17% of total expenditure in 2024. This is lower than the other two Basque provinces. In our rating-case scenario for 2025, we assume that capex will increase by EUR20 million due to investment projects partly funded with EU recovery funds and with the surplus obtained in 2024.

From 2025, Alava will adjust capex to comply with EU stability targets, and will continue to aim to maintain surpluses.

We assume that capex will increase in 2026-2029 by an average EUR128 million, equivalent to 16% of total expenditure, and the capital balance will be nearly minus EUR90 million a year.

Scenario Assumptions Summary

	2020 - 2024 historical average	2025 - 2029 average	
Assumptions		**Base case**	**Rating case**
Operating revenue growth (%)	1.4	5.5	5.3
Tax revenue growth (%)	1.6	5.4	5.1
Current transfers received growth (%)	1.1	9.0	9.0
Operating expenditure growth (%)	2.8	6.4	6.4
Net capital expenditure (EURm)	-81	-90	-90
Apparent cost of debt (%)	1.8	2.5	2.5

		2029	
Outcomes	**2024**	**Base case**	**Rating case**
Payback ratio (x)	2.6	1.5	1.9
Overall payback ratio (x)	3.1	2.0	2.4
Synthetic coverage ratio (x)	4.9	8.4	6.6
Fiscal debt burden (%)	46.3	20.7	24.4

Source: Fitch Ratings, Historical Territory of Alava

Fitch's net-adjusted debt is Alava's general administration financial debt (EUR301 million at end-2024) less unrestricted cash, which for this year is zero. Available cash was EUR220 million at end-2024. Fitch assesses restricted cash at zero at end-2024. This reflects the positive balance between receivables (net of provisions and hard-to-collect items) and payables in the current year, resulting in no restricted cash.

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

Alava compares well with other historical territories in terms of risk profile (High Midrange) and financial profile (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 SCP is similar to that of the city of Barcelona, but differences in final ratings reflect its ratings being capped by those of the sovereign.

Compared with Italian peers, Alava has weaker financial profile metrics and liquidity ratios. The Italian provinces of Bolzano, Friuli Venezia Giulia 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, the lower sovereign rating results in a lower IDR.

Peer Comparison

	Risk profile	Financial profile score	SCP	Extraordinary support	Sovereign Rating	Long-Term IDR/Outlook
Historical Territory of Alava	High Midrange	aaa	aaa	n.a.	A	AA-/Stable
Historical Territory of Bizkaia	High Midrange	aaa	aaa	n.a.	A	AA-/Stable
Historical Territory of Gipuzkoa	High Midrange	aaa	aaa	n.a.	A	AA-/Stable
Autonomous Province of Bolzano	High Midrange	aaa	aaa	n.a.	BBB+	A/Stable
City of Barcelona	High Midrange	aaa	aaa	n.a.	A	A/Stable
Autonomous Province of Trento	High Midrange	aaa	aaa	n.a.	BBB+	A/Stable
Autonomous Region of Friuli Venezia Giulia	High Midrange	aaa	aaa	n.a.	BBB+	A/Stable

Source: Fitch Ratings, Historical Territory of Alava

Long Term Rating Derivation

From SCP to LT FC IDR: Factors Beyond the SCP

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

Source: Fitch Ratings, Historical Territory of Alava

We assess Alava's SCP in the 'aaa' category, reflecting a combination of a 'High Midrange' risk profile and strong debt metrics. The SCP is five notches above the Spanish sovereign's 'A' IDRs, which under Fitch criteria, results in Alava being rated at the maximum two notches above the sovereign's IDR. Peer comparison is factored in, and Fitch does not apply any asymmetric risk.

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 https://www.fitchratings.com/topics/esg.

Appendix A: Financial Data

Historical Territory of Alava

(EURm)	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
Fiscal Performance										
Taxes	384	577	463	515	486	560	575	590	606	622
Transfers received	97	207	60	119	112	160	163	166	169	172
Fees, fines and other operating revenues	45	50	49	49	52	46	46	46	46	46
Operating revenue	526	834	572	683	650	765	783	802	821	840
Operating expenditure	-452	-643	-450	-524	-535	-649	-668	-689	-709	-730
Operating balance	74	191	122	159	115	116	115	113	112	111
Interest revenue	1	1	2	10	9	8	7	7	7	7
Interest expenditure	-9	-8	-9	-12	-10	-11	-11	-11	-11	-11
Current balance	66	184	115	157	115	114	111	109	108	106
Capital revenue	12	11	22	23	24	38	39	40	41	43
Capital expenditure	-77	-90	-99	-110	-122	-141	-124	-129	-131	-128
Capital balance	-65	-79	-77	-88	-98	-103	-85	-89	-90	-85
Total revenue	539	845	595	715	683	811	829	849	869	890
Total expenditure	-538	-741	-557	-646	-666	-800	-803	-829	-851	-869
Surplus (deficit) before net financing	1	104	38	69	17	11	26	20	18	21
New direct debt borrowing	82	107	90	0	69	-83	-98	-82	-74	-78
Direct debt repayment	-74	-66	-68	-78	-69	71	72	62	56	57
Net direct debt movement	8	41	23	-78	0	-11	-26	-20	-18	-21
Overall results	9	145	61	-9	17	0	0	0	0	0
Debt and Liquidity										
Short-term debt	0	0	0	0	0	0	0	0	0	0
Long-term debt	505	545	568	490	490	479	453	433	415	394
Intergovernmental debt	0	0	0	0	0	0	0	0	0	0
Direct debt	505	545	568	490	490	479	453	433	415	394
Other Fitch-classified debt	0	0	0	32	32	32	32	32	32	32
Adjusted debt	505	545	568	522	521	510	485	464	446	425
Guarantees issued (excluding adjusted debt portion)	24	24	24	23	23	23	23	23	23	23
Majority-owned GRE debt and other contingent liabilities	62	57	51	44	37	37	37	37	37	37
Overall adjusted debt	591	626	642	589	581	570	544	524	506	485
Total cash, liquid deposits, and sinking funds	148	257	293	254	220	220	221	221	221	220
Restricted cash	12	19	4	12	0	0	0	0	0	0
Unrestricted cash	136	239	290	243	220	220	221	221	221	220
Net adjusted debt	369	307	279	279	301	290	264	244	226	205
Net overall debt	455	388	353	346	361	350	324	303	285	265
Enhanced net adjusted debt	369	307	279	279	301	290	264	244	226	205
Enhanced net overall debt	455	388	353	346	361	350	324	303	285	265
Memo:										
Debt in foreign currency/direct debt (%)	0	0	0	0	0	-	-	-	-	-
Issued debt/direct debt (%)	10	9	9	0	0	-	-	-	-	-
Floating interest rate debt/direct debt (%)	20	23	23	23	35	-	-	-	-	-

rc - rating case
Source: Fitch Ratings, Historical Territory of Alava

Appendix B: Financial Ratios

Historical Territory of Alava

	2020	2021	2022	2023	2024	2025rc	2026rc	2027rc	2028rc	2029rc
Fiscal performance ratios (%)										
Operating balance/operating revenue	14.0	22.9	21.4	23.3	17.8	15.2	14.7	14.1	13.6	13.2
Current balance/current revenue	12.5	22.0	20.1	22.6	17.4	14.8	14.1	13.5	13.0	12.6
Operating revenue annual growth	-13.2	58.4	-31.4	19.3	-4.8	17.7	2.3	2.5	2.3	2.3
Operating expenditure annual growth	-2.8	42.1	-30.0	16.4	2.1	21.3	2.9	3.2	2.9	2.9
Surplus (deficit) before net financing/total revenue	0.2	12.4	6.5	9.7	2.5	1.4	3.1	2.4	2.1	2.4
Surplus (deficit) before net financing/GDP	0.0	0.9	0.3	0.4	0.1	0.1	0.2	0.1	0.1	0.1
Total revenue annual growth	-12.6	56.8	-29.6	20.1	-4.4	18.8	2.1	2.5	2.4	2.4
Total expenditure annual growth	-6.7	37.8	-24.8	15.9	3.2	20.1	0.3	3.3	2.7	2.0
Debt ratios										
Primary metrics										
Payback ratio (x) (net adjusted debt to operating balance)	5.0	1.6	2.3	1.8	2.6	2.5	2.3	2.2	2.0	1.9
Enhanced payback ratio (x)	5.0	1.6	2.3	1.8	2.6	2.5	2.3	2.2	2.0	1.9
Overall payback ratio (x)	6.2	2.0	2.9	2.2	3.1	3.0	2.8	2.7	2.6	2.4
Enhanced overall payback ratio (x)	6.2	2.0	2.9	2.2	3.1	3.0	2.8	2.7	2.6	2.4
Secondary metrics										
Fiscal debt burden (%) (net debt-to-operating revenue)	70.2	36.8	48.7	40.9	46.3	37.9	33.7	30.4	27.5	24.4
Synthetic debt service coverage ratio (x)	2.7	8.3	5.7	7.2	4.9	5.1	5.4	5.9	6.1	6.5
Other debt ratios										
Liquidity coverage ratio (x)	2.7	4.4	4.8	5.0	4.5	-5.5	-5.5	-6.5	-7.4	-7.3
Direct debt maturing in one year/total direct debt (%)	13.2	12.5	13.8	14.0	14.5	0.0	0.0	0.0	0.0	0.0
Direct debt (annual % change)	1.6	8.0	4.2	-13.8	0.0	-2.3	-5.4	-4.5	-4.2	-5.1
Apparent cost of direct debt (interest paid/direct debt) (%)	1.8	1.5	1.5	2.2	2.0	2.2	2.3	2.5	2.6	2.7
Revenue ratios (%)										
Tax revenue/total revenue	71.2	68.3	77.7	72.1	71.2	69.0	69.3	69.5	69.7	69.9
Current transfers received/total revenue	18.1	24.5	10.1	16.6	16.4	19.7	19.6	19.6	19.4	19.3
Interest revenue/total revenue	0.2	0.1	0.3	1.3	1.4	1.0	0.8	0.8	0.8	0.8
Capital revenue/total revenue	2.2	1.3	3.6	3.2	3.5	4.7	4.7	4.7	4.8	4.8
Expenditure ratios (%)										
Staff expenditure/total expenditure	29.6	21.8	31.0	27.5	27.6	-	-	-	-	-
Current transfers made/total expenditure	27.1	45.0	23.0	27.3	24.9	-	-	-	-	-
Interest expenditure/total expenditure	1.6	1.1	1.5	1.8	1.5	1.3	1.4	1.3	1.3	1.3
Capital expenditure/total expenditure	14.3	12.1	17.7	17.1	18.3	17.6	15.5	15.6	15.4	14.7

rc - rating case
Source: Fitch Ratings, Historical Territory of Alava

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

Fitch's adjusted debt (EUR521 million at end-2024) 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 that Fitch considers to be unrestricted (EUR220 million at end-2024). Fitch typically offsets this to neutralise payables that exceed receivables registered at end-2024, which for this year is zero.

Synthetic Coverage Calculation

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. This synthetic calculation is used to assess Alava's debt sustainability and allow better comparison with other international credits.

Specific Adjustments

Institutional transfers to the state, regional and municipal governments, which are based on shared taxes collected by the province and account for roughly 70% of operating revenue, are deducted from the operating revenue and expenditure as considered as "pass-through".

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For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

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