FitchRatings

Public Finance
Local and Regional Governments
Spain

Historical Territory of Alava

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.

The affirmation of Historical Territory of Alava's ratings reflects its unchanged Standalone Credit Profile (SCP) of 'aaa', underscoring a 'High Midrange' risk profile and a 'aaa' financial profile under our rating case.

The SCP is five notches above Spain's 'A' Long-Term Foreign-Currency Issuer Default Rating (IDR), which under Fitch Ratings' criteria results in Alava's ratings being capped at a maximum two notches above the sovereign's.

Key Rating Drivers

Standalone Credit Profile – 'aaa': Alava's SCP reflects a 'High Midrange' risk profile and a 'aaa' financial profile.

Risk Profile – 'High Midrange': Fitch assesses Alava's 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 (2026-2030), 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) contribute about two-thirds 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 (48% of revenue) and no legal caps, and broad authority within the Basque framework supports stronger adjustability. Affordability is strong given above-national-average 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 revenue growth outpacing opex in 2021-2025 and social spending rising about 4% 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: The territory's debt risk is contained, with euro-denominated debt, no short-term maturities and a 4.5-year average maturity. The 2025 average cost was about 1.8%; floating-rate exposure (47%) 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 -0.1x (aaa) in 2030 in our rating case (2025: 1.7x). Together with forecast synthetic debt service coverage at -145x (7.8x), this 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 allows them 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 IDRs. Fitch has not applied any asymmetric risk to the IDRs.

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 35% above the national average and it has a higher proportion of industry than the Spanish average, underlining its economic stability.

Financial Data Summary

(EURm)	2025	2030rc
Payback ratio (x)	1.7	-0.1
Synthetic coverage (x)	7.8	-145.3
Fiscal debt burden (%)	37.4	-1.4
Net adjusted debt	281	-13
Operating balance	169	156
Operating revenue	752	902
Debt service	80	-46

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

Climate Vulnerability Signals

2035 Climate Vulnerability Signal	26
Transition (Climate.VSt)	20
Physical (Climate.VSp)	20

Applicable Criteria

International Local and Regional Governments Rating Criteria (March 2026)

Related Research

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

Rating Subnationals Above the Sovereign (October 2025)

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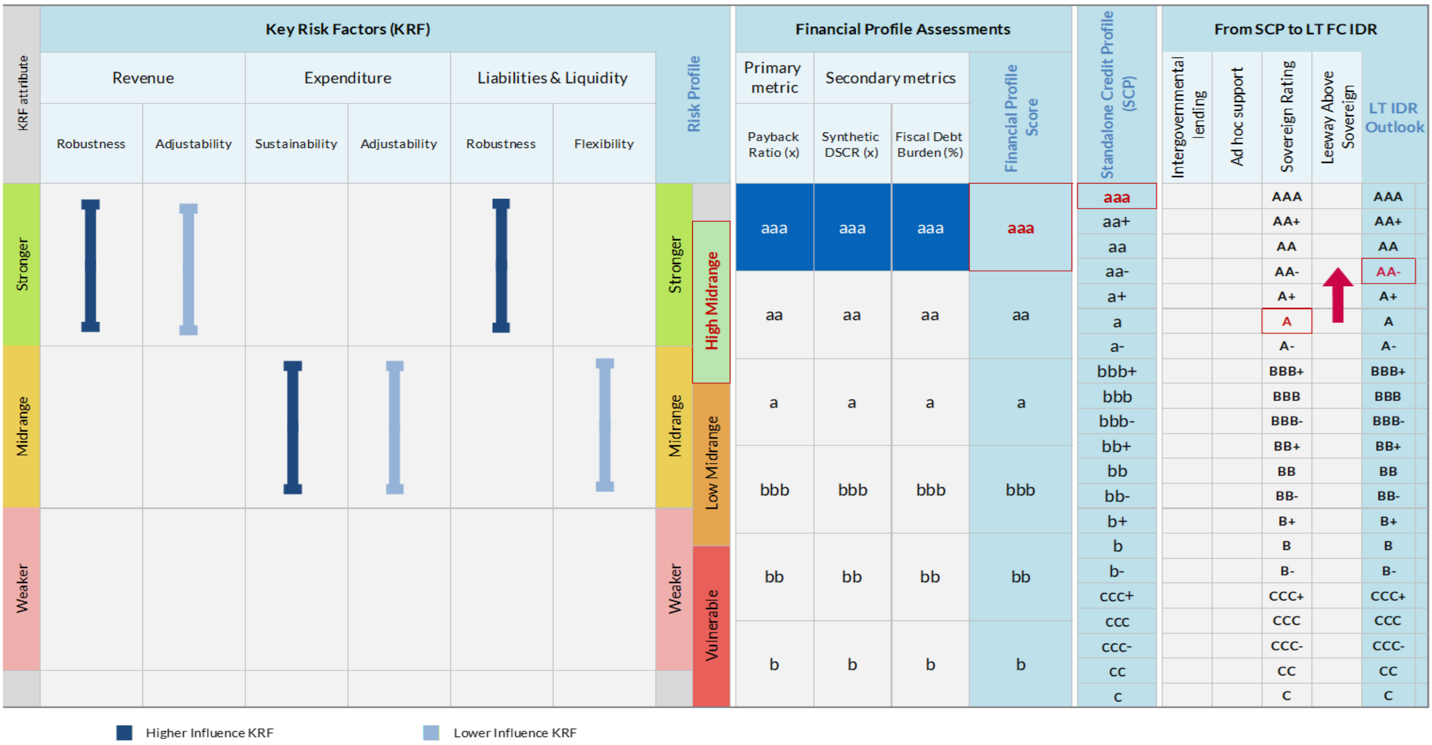
Rating Synopsis

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). 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. The SCP, together with some additional factors not captured in the SCP, such as extraordinary support or rating cap, produce the IDR.

Rating Sensitivities

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

- The province's IDRs could be downgraded if the sovereign IDRs are downgraded by two notches.
- The IDRs could also be downgraded if the SCP is 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.

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 one notch while its SCP remains at 'aaa'.

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, it 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 2024 at 35% above Spain’s average. The industrial sector represents 29% of GDP, with a focus on manufacturing. The main companies in this sector are the multi-national French tyre manufacturer Compagnie Financiere Michelin SAS (A/Stable) and the German automobile manufacturer Mercedes-Benz, part of the Daimler AG.

Mercedes-Benz 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 EUR1 billion-1.2 billion to transform and expand the plant, focusing on a new generation of medium-sized electric vans.

The rate of unemployment is 9.1%, lower than the national average (10.6%) and the province’s population is growing moderately (0.7% annually in 2025). It has nearly 341,00 inhabitants.

Socioeconomic Indicators

	Alava	Spain
Population, 2025 (m)	0.3	49.1
GDP per capita, 2024 (EUR 000)	43.9	32.5
GRP growth, 2024 (%)	2.6	3.5
Inflation, 2025 (%)	3.0	2.7
Unemployment rate, 2024 (%)	9.1	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 2026-2030. This may be due to lower-than-projected revenue, higher-than-anticipated expenditure, or an unexpected rise in liabilities or debt-service requirements.

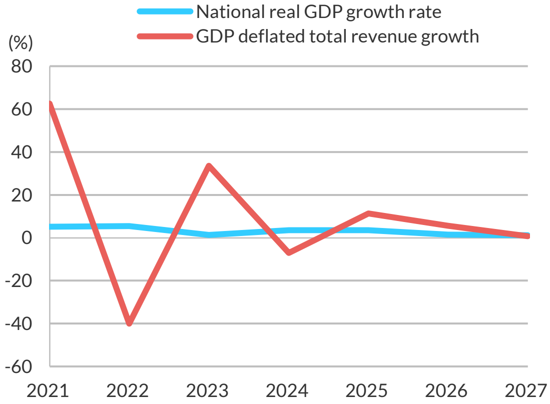
Revenue Robustness: Stronger

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 taxes should benefit from expected strong economic expansion over the next five years, underlining our ‘Stronger’ assessment. PIT and VAT are the major components of revenue (27.1% and 28.5%, respectively, in 2025). 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 about 10% (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, 2025

(%)	Operating revenue	Total revenue
PIT	28.1	27.1
VAT	29.4	28.5
Corporate income tax	6.4	6.2
Other taxes	11.0	10.6
Transfers	17.9	17.3
Other operating revenue	7.2	6.9
Operating revenue	**100.0**	**96.6**
Interest revenue	-	0.9
Capital revenue	-	2.4
Total revenue	**-**	**100.0**

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

Revenue Adjustability: Stronger

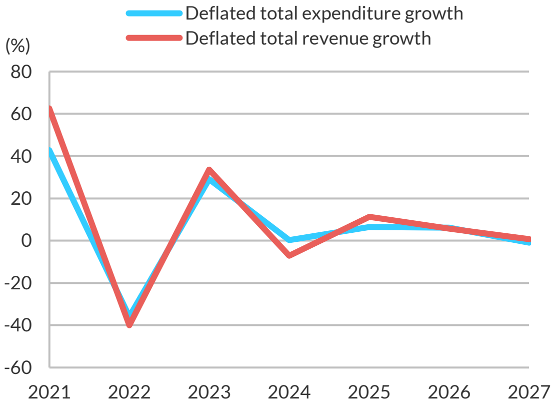
Alava has full rate control on PIT and some other taxes (together representing 28% of operating revenue in 2025), and rates are not capped. We believe the province's ability to increase taxes is strong, underpinned by higher average salary and GDP per capita than the national average, while its tax rates are lower, leaving scope for increases.

The territory does not control VAT and special tax rates (48% of operating revenues), 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 to be under growing pressure from an expanding and ageing population. In 2020-2025, operating revenue CAGR was 7.4%, higher than gross opex CAGR of 5.2%, while social spending CAGR in the past 10 years was about 4%. Moderately cyclical and non-cyclical expenditure accounts for almost all opex. The rest is for employment-related spending, which tends to increase during economic downturns.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, Historical Territory of Alava

Expenditure Breakdown, 2025

(%)	Operating expenditure	Total expenditure
Staff cost	31.5	25.3
Goods and services	33.9	27.2
Transfers to other budgets	34.6	27.8
Operating expenditure	**100.0**	**80.3**
Interest expenditure	-	1.2
Capital expenditure	-	18.5
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, the province and the Basque government collaborate to distribute the budget 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 2025) and staff costs (31.5%), with the latter due to wages being decided nationally. Fitch believes the province has greater flexibility over capex (18.5% of totex), which it can postpone or scale back. We estimate the overall share of inflexible expenditure at 70%-90%.

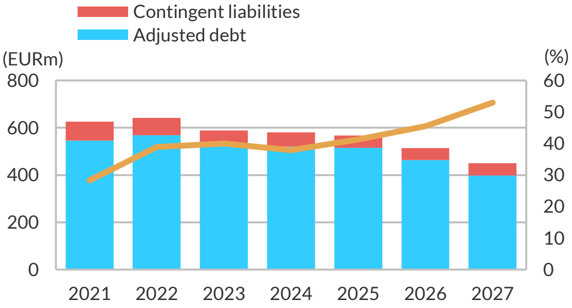
Mandatory expenditure includes responsibilities related to agriculture, tax inspection and collection-related duties, public administration, employment, equality infrastructure and economic development within the province's territories; apart from capex (see *Appendix A: Financial Data*).

Liabilities and Liquidity Robustness: Stronger

Alava's liabilities are low risk; it has no short-term debt and low maturity concentration with an average life of debt at 4.5 years. The direct debt portfolio is entirely euro-denominated. The average cost of debt was about 1.8% in 2025, and the amount of floating-rate debt was high at 46.6% 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 (0.3x the operating balance in 2025).

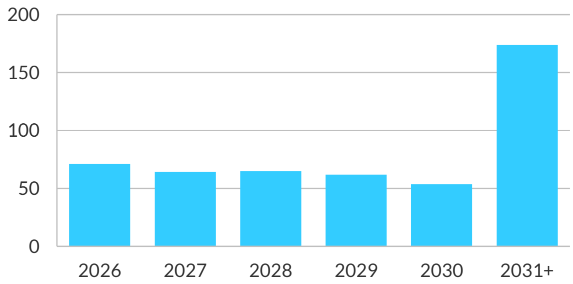
Alava is exposed to floating interest rates. However, Fitch believes the region could access financial products to cover this risk if interest rates rise or could renegotiate its debt with fixed interest rates. Refinancing risk is low, as the province's debt maturities are lower than forecast operating balances from 2026, with an annual average principal repayment of EUR49 million until 2035.

Overall Adjusted Debt Structure



Source: Fitch Ratings, Historical Territory of Alava

Debt Maturity Profile



Source: Fitch Ratings, Historical Territory of Alava

Liabilities and Liquidity Flexibility: Midrange

Alava had EUR234 million unrestricted cash at end-2025, equivalent to 1.4x the operating balance, and EUR150 million committed credit lines from Spanish banks rated 'BBB-' to 'A+'. Fitch typically offsets available cash by the excess of payables over receivables; for 2025, this adjustment was EUR56 million, leaving EUR234 million unrestricted cash.

Debt Analysis

	2025
Fixed rate (% of direct debt)	53
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	**1.8**
Weighted average life of debt (years)	4.5

Source: Fitch Ratings, Historical Territory of Alava

Liquidity

(EURm)	2025
Total cash, liquid deposits and sinking funds	290
Restricted cash	56
Cash available for debt service	234
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

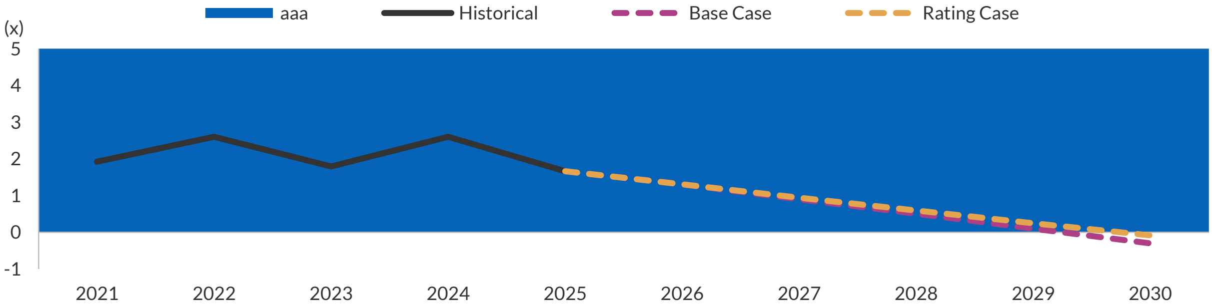
Note: Yellow highlights show metric ranges applicable to the issuer.
Source: Fitch Ratings

As a 'Type B' LRG, Alava's primary metric is the payback ratio, which remains below 5x in 2030, equivalent to 'aaa'. Together with forecast synthetic debt service coverage of below four years in 2030, corresponding to 'aaa', this results in the 'aaa' financial profile.

Fitch expects the operating balance to edge up to EUR169 million in 2026 from EUR115 million in 2025, before declining to EUR156 million in 2030, as spending rises (5.1%) outpace revenue increases (3.7% on average).

We forecast Alava's direct debt at EUR437 million at end-2026, slightly less than EUR489 million in the previous year, and to decline under our rating case to EUR201 million in 2030, driven by a stable operating balance. Our rating case for 2026 assumes capex will increase by EUR2 million, due to investment projects that are partly funded with EU recovery funds and with the surplus obtained in 2025.

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 EUR147 million in 2021-2025, equivalent to a 21% operating margin. Alava's operating revenue CAGR was low at -2.6% in 2021-2025, reflecting volatility in tax collection and transfers received. The amount of funds transferred to the Basque Country remained an important component of revenue in 2021-2025 and is calculated as a percentage of revenue.

In 2025, the operating balance improved to EUR169 million from EUR115 million in 2024. Gross operating revenue increased by 16%, mainly due to higher tax revenue and transfers received. Operating expenditure increased by 9%, reflecting moderate cost growth during the year. Alava's budget performance in 2025 was stronger than in 2024.

Fitch expects operating performance in 2026 to remain broadly stable compared with 2025. We expect operating revenue to increase by 9% in 2026, supported by further growth in tax revenue and transfers received, while gross operating expenditure is expected to rise by 10%.

Capex Programme

Alava's capex averaged EUR111 million a year in 2021-2025, or 18% 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 EUR12 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 average EUR128 million in 2026-2029, equivalent to 15% of total expenditure, and the capital balance will be nearly minus EUR104 million a year.

Scenario Assumptions Summary

Assumptions	2021-2025 average	2026-2030 average: Base case	2026-2030 average: Rating case
Operating revenue growth (%)	7.4	4.1	3.7
Tax revenue growth (%)	8.0	3.5	2.9
Current transfers received growth (%)	6.6	8.0	8.0
Operating expenditure growth (%)	5.2	5.1	5.1
Net capital expenditure (EURm)	-91	-103	-103
Apparent cost of debt (%)	1.8	2.7	2.7

Outcomes	2025	2030: Base case	2030: Rating case
Payback ratio (x)	1.7	-0.3	-0.1
Overall payback ratio (x)	2.0	0.0	0.2
Actual coverage ratio (x)	2.1	-3.7	-3.4
Synthetic coverage ratio (x)	7.8	-38.5	-142.8
Fiscal debt burden (%)	37.4	-5.7	-1.4

Source: Fitch Ratings, Historical Territory of Alava

Fitch's net adjusted debt is calculated as general administration financial debt (EUR281 million at end-2025) less unrestricted cash, which for this year EUR234 million. Available cash was EUR290 million at end-2025. Fitch assesses restricted cash at EUR56.2 million at end-2025. This reflects the negative balance between receivables (net of provisions and hard-to-collect items) and payables in the current year, resulting 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 risk profile and financial profile. It has the same SCP and IDR as Historical Territory of Bizkaia and Historical Territory of Gipuzkoa. Our rating case projects Alava's payback ratio at between those of Bizkaia and Gipuzkoa. Its SCP is similar to that of the City of Barcelona, but differences in the ratings reflect the cap on the city's ratings by those of the sovereign.

Alava has weaker financial profile metrics and liquidity ratios than its Italian peers. The Italian provinces of Bolzano, Friuli Venezia Giulia and Trento are also rated above the sovereign as the Italian constitution grants the regions broader legislative and administrative powers and significant financial autonomy. However, the lower sovereign ratings result in lower IDRs for the Italian regions.

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
City of Barcelona	High Midrange	aaa	aaa	n.a.	A	A/Stable
Autonomous Region of Bolzano	High Midrange	aaa	aaa	n.a.	BBB+	A/Stable
Autonomous Region of Friuli Venezia Giulia	High Midrange	aaa	aaa	n.a.	BBB+	A/Stable
Autonomous Region of Trento	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

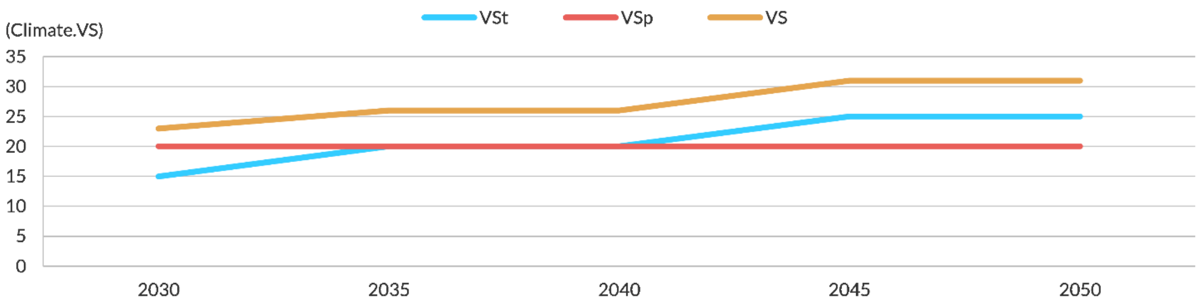
We assess Alava's SCP in the 'aaa' category, reflecting a combination of a 'High Midrange' risk profile and strong debt metrics. The SCP is five notches above the Spanish sovereign's 'A' IDRs, which under Fitch criteria, results in Alava being rated at the maximum two notches above the sovereign's IDR.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

Climate Vulnerability Signals

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to climate-related risks. If Fitch identifies an entity as higher risk (i.e. its Climate.VS in 2035 is 50 or higher), the entity receives additional analysis and consideration in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's *LRG Rating Criteria*.

The Climate.VS for 2035 is 26 out of 100. This reflects a VSp of 20 and a VSt of 20.

Climate Vulnerability Signals



Source: Fitch Ratings

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)	2021	2022	2023	2024	2025	2026rc	2027rc	2028rc	2029rc	2030rc
Fiscal Performance										
Taxes	577	463	515	486	563	587	602	618	634	652
Transfers received	207	60	119	112	134	182	186	189	193	197
Fees, fines and other operating revenue	50	49	49	52	54	49	50	51	52	53
Operating revenue	834	572	683	650	752	818	838	858	880	902
Operating expenditure	-643	-450	-524	-535	-583	-644	-668	-695	-720	-746
Operating balance	191	122	159	115	169	174	170	163	159	156
Interest revenue	1	2	10	9	7	6	7	7	7	7
Interest expenditure	-8	-9	-12	-10	-9	-11	-10	-9	-8	-7
Current balance	184	115	157	115	167	169	167	161	158	155
Capital revenue	11	22	23	24	19	22	24	25	25	26
Capital expenditure	-90	-99	-110	-122	-134	-139	-123	-123	-126	-128
Capital balance	-79	-77	-88	-98	-115	-117	-98	-99	-100	-102
Total revenue	845	595	715	683	778	846	869	890	912	934
Total expenditure	-741	-557	-646	-666	-726	-793	-801	-828	-854	-882
Surplus (deficit) before net financing	104	38	69	17	52	53	68	62	58	53
New direct debt borrowing	107	90	0	69	71	-123	-129	-127	-119	-106
Direct debt repayment	-66	-68	-78	-69	-71	71	64	65	62	54
Net direct debt movement	41	23	-78	0	0	-52	-64	-62	-57	-53
Overall results	145	61	-9	17	52	0	4	0	0	0
Debt and Liquidity										
Short-term debt	0	0	0	0	0	0	0	0	0	0
Long-term debt	545	568	490	490	490	437	373	311	253	201
Intergovernmental debt	0	0	0	0	0	0	0	0	0	0
Direct debt	545	568	490	490	490	437	373	311	253	201
Other Fitch-classified debt	0	0	32	32	25	25	25	25	25	25
Adjusted debt	545	568	522	521	515	463	399	336	279	226
Guarantees issued (excluding adjusted debt portion)	24	24	23	23	22	22	22	22	22	22
Majority-owned GRE debt and other contingent liabilities	57	51	44	37	29	29	29	29	29	29
Overall adjusted debt	626	642	589	581	567	514	450	388	330	278
Total cash, liquid deposits, and sinking funds	196	253	247	239	290	290	294	295	295	295
Restricted cash	19	4	12	18	56	56	56	56	56	56
Unrestricted cash	177	250	236	220	234	234	238	238	239	239
Net adjusted debt	368	319	286	301	281	229	160	98	40	-13
Net overall debt	449	393	353	361	333	280	212	149	92	39
Enhanced net adjusted debt	368	319	286	301	281	229	160	98	40	-13
Enhanced net overall debt	449	393	353	361	333	280	212	149	92	39
Memo:										
Debt in foreign currency/direct debt (%)	0	0	0	0	0	-	-	-	-	-
Issued debt/direct debt (%)	9	9	0	0	0	-	-	-	-	-
Floating interest rate debt/direct debt (%)	23	23	23	35	47	-	-	-	-	-

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

Appendix B: Financial Ratios

Historical Territory of Alava

	2021	2022	2023	2024	2025	2026rc	2027rc	2028rc	2029rc	2030rc
Fiscal Performance Ratios (%)										
Operating balance/operating revenue	22.9	21.4	23.3	17.8	22.4	21.3	20.3	19.0	18.1	17.3
Current balance/current revenue	22.0	20.1	22.6	17.4	22.0	20.6	19.7	18.6	17.8	17.1
Operating revenue annual growth	58.4	-31.4	19.3	-4.8	15.6	8.8	2.5	2.4	2.5	2.5
Operating expenditure annual growth	42.1	-30.0	16.4	2.1	9.0	10.4	3.8	4.0	3.6	3.6
Surplus (deficit) before net financing/total revenue	12.4	6.5	9.7	2.5	6.7	6.2	7.9	7.0	6.3	5.7
Surplus (deficit) before net financing/GDP	0.9	0.3	0.5	0.1	0.3	0.3	0.4	0.4	0.3	0.3
Total revenue annual growth	56.8	-29.6	20.1	-4.4	13.8	8.7	2.8	2.4	2.5	2.5
Total expenditure annual growth	37.8	-24.8	15.9	3.2	8.9	9.3	1.0	3.3	3.2	3.2
Debt Ratios										
Primary Metrics (x)										
Payback ratio (net adjusted debt/operating balance)	1.9	2.6	1.8	2.6	1.7	1.3	0.9	0.6	0.3	-0.1
Enhanced payback ratio	1.9	2.6	1.8	2.6	1.7	1.3	0.9	0.6	0.3	-0.1
Overall payback ratio	2.4	3.2	2.2	3.1	2.0	1.6	1.2	0.9	0.6	0.2
Enhanced overall payback ratio	2.4	3.2	2.2	3.1	2.0	1.6	1.2	0.9	0.6	0.2
Secondary Metrics										
Fiscal debt burden (net debt/operating revenue) (%)	44.2	55.7	41.9	46.3	37.4	28.0	19.1	11.4	4.6	-1.4
Synthetic debt service coverage ratio (x)	6.9	5.0	7.0	4.9	7.8	9.7	13.0	20.6	47.6	-145.3
Other Debt Ratios										
Liquidity coverage ratio (x)	4.4	3.9	4.5	4.5	4.9	-6.7	-7.4	-7.2	-7.4	-8.5
Direct debt maturing in one year/total direct debt (%)	12.5	13.8	14.0	14.5	14.5	0.0	0.0	0.0	0.0	0.0
Direct debt (annual % change)	8.0	4.2	-13.8	0.0	0.0	-10.7	-14.7	-16.7	-18.5	-20.8
Apparent cost of direct debt (interest paid/direct debt) (%)	1.5	1.5	2.2	2.0	1.8	2.3	2.4	2.7	2.9	3.3
Revenue Ratios (%)										
Tax revenue/total revenue	68.3	77.7	72.1	71.2	72.4	69.4	69.3	69.4	69.6	69.7
Current transfers received/total revenue	24.5	10.1	16.6	16.4	17.3	21.5	21.4	21.3	21.2	21.1
Interest revenue/total revenue	0.1	0.3	1.3	1.4	0.9	0.7	0.8	0.8	0.8	0.7
Capital revenue/total revenue	1.3	3.6	3.2	3.5	2.4	2.6	2.8	2.8	2.8	2.8
Expenditure Ratios (%)										
Staff expenditure/total expenditure	21.8	31.0	27.5	27.6	25.3	-	-	-	-	-
Current transfers made/total expenditure	45.0	23.0	27.3	24.9	27.8	-	-	-	-	-
Interest expenditure/total expenditure	1.1	1.5	1.8	1.5	1.2	1.3	1.2	1.1	1.0	0.8
Capital expenditure/total expenditure	12.1	17.7	17.1	18.3	18.5	17.5	15.3	14.9	14.7	14.5

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

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

Fitch's net adjusted debt is calculated as Alava's general administration financial debt (EUR281 million at end-2025) minus unrestricted cash, estimated at EUR234 million for the year. Total available cash stood at EUR290 million at end-2025. Fitch assesses restricted cash at EUR56.2 million at year-end, reflecting the negative balance between receivables (net of provisions and hard-to-collect items) and payables in the current year. As a result, this portion of cash is considered unavailable for debt reduction purposes.

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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