



## RATING ACTION COMMENTARY

# Fitch Affirms UAB Valstybes investicinis kapitalas' Euro EMTN Programme at 'A'

Thu 08 Sep, 2022 - 10:12 AM ET

Fitch Ratings - Warsaw - 08 Sep 2022: Fitch Ratings has affirmed UAB Valstybes investicinis kapitalas' (VIK) euro-denominated European medium-term note (EMTN) programme and the notes to be issued under the programme at senior unsecured 'A' rating. The notes are unconditionally and irrevocably guaranteed by the Republic of Lithuania (A/Stable).

Fitch rates VIK's EMTN programme under its Government-Related Entities (GRE) Criteria, and based on the state guarantee on the notes, the ratings of the programme and the notes are equalised with the ratings of the guarantor. This is irrespective of our assessment of strength of linkage and incentive to support for the GRE, as the guarantee acts as an overriding single factor leading to rating equalisation.

The proceeds from the upcoming notes will be used to stimulate investments. Beneficiaries might be enterprises whose failure would likely involve social hardship or market failure due to significant loss of employment, the exit of an innovative or a systemically important company or the risk of disruption to an important service.

## KEY RATING DRIVERS

The rating equalisation of the notes with that of the Republic of Lithuania reflects the unconditional, irrevocable and unsubordinated guarantee it provides to the issued notes.

The guarantee will be valid over the entire maturity of the notes, covering interest and principal and issue expenses. The guarantee constitutes a direct, unsecured, general and unconditional obligation of the Lithuanian state and ranks pari passu with all other present and future senior unsecured debt of the state.

VIK plans to issue notes under the EMTN programme, which has a total value of up to EUR400 million. The three series of guaranteed notes already issued have a total principal amount of EUR100 million. Notes are admitted to trading on AB Nasdaq Vilnius, and have a tenor of up to five years, with an annual fixed coupon.

The upcoming notes will be governed by the law of Lithuania. The net proceeds of the notes might be used to support small, large and medium-sized enterprises in Lithuania that were affected by the Covid-19 outbreak.

VIK's EMTN programme and the issuance of the state guarantee constitute state aid within the law of the European Union. The EU Commission has not raised objections as it recognises the proposed state measures as a remedy for a serious disruption to the Lithuanian economy as long as the measures follow the agreed principles under Decision of the European Commission - State Aid SA. 57008 (2020/N) - Lithuania; Covid-19: Aid Fund for Business

## DERIVATION SUMMARY

VIK's EMTN programme's rating is equalised with Lithuania's Long-Term Issuer Default Rating (IDR) due to the government guarantee covering all financial liabilities under the EMTN programme, which leads to equalisation of the notes' and sovereign's ratings.

## RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

An upgrade of, or a positive action on, Lithuania's rating will be reflected in the programme's and the notes' ratings.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

A downgrade of, or a negative action on, Lithuania's rating will be reflected in the EMTN programme's and notes' ratings.

Termination of the guarantee will result in a review of the programme's and notes' ratings.

## **BEST/WORST CASE RATING SCENARIO**

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

## **ISSUER PROFILE**

VIK is strongly linked to Lithuania as it is the state government's financing vehicle, whose mission is to raise funds for supporting the state's Covid-19 measures for the Lithuanian economy. VIK is solely owned and tightly supervised by the state.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## **PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS**

VIK's EMTN programme rating is linked to the Lithuanian sovereign rating.

## **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. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

## RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅	PRIOR ⇅
UAB Valstybes investicinis kapitalas		
senior unsecured	LT A Affirmed	A

[VIEW ADDITIONAL RATING DETAILS](#)

## FITCH RATINGS ANALYSTS

### Anna Drewnowska-Sus

Senior Analyst

Primary Rating Analyst

+48 22 103 3011

[anna.drewnowska-sus@fitchratings.com](mailto:anna.drewnowska-sus@fitchratings.com)

Fitch Ratings Ireland Limited spolka z ograniczona odpowiedzialnoscia oddzial w Polsce

Krolewska 16, 00-103 Warsaw

### Dorota Dziedzic

Senior Director

Secondary Rating Analyst

+48 22 103 3017

dorota.dziedzic@fitchratings.com

### **Guilhem Costes**

Senior Director

Committee Chairperson

+34 91 076 1986

guilhem.costes@fitchratings.com

### **MEDIA CONTACTS**

#### **Athos Larkou**

London

+44 20 3530 1549

athos.larkou@thefitchgroup.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

### **PARTICIPATION STATUS**

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

### **APPLICABLE CRITERIA**

[Government-Related Entities Rating Criteria \(pub. 30 Sep 2020\)](#)

[International Local and Regional Governments Rating Criteria \(pub. 03 Sep 2021\) \(including rating assumption sensitivity\)](#)

### **ADDITIONAL DISCLOSURES**

## Dodd-Frank Rating Information Disclosure Form

### Solicitation Status

### Endorsement Policy

## ENDORSEMENT STATUS

UAB Valstybes investicinis kapitalas

EU Issued, UK Endorsed

## DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given

security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price,

the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the “NRSRO”). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the “non-NRSROs”) and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Copyright © 2022 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

[READ LESS](#)

## SOLICITATION STATUS



The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

## ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

---

International Public Finance    Supranationals, Subnationals, and Agencies    Europe    Lithuania

---