

## **RATING ACTION COMMENTARY**

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

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Fitch Ratings - Warsaw - 04 Sep 2024: Fitch Ratings has affirmed UAB Valstybes investicinis kapitalas' (VIK) euro-denominated European medium-term note (EMTN) programme's and the notes issued under its senior unsecured ratings at 'A'. 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. Based on the state guarantee of the notes, the ratings of the programme and the notes are equalised with the guarantor's ratings. This is irrespective of our assessment of strength of responsibility to support and incentives to support for the GRE, as the guarantee acts as an overriding single factor leading to rating equalisation.

To date, the net proceeds of the notes have been used to support large and medium-sized enterprises affected by the pandemic in Lithuania. The period for investments for VIK with this aim ended on 30 June 2023 as the European Commission approval of state aid for pandemic purposes has expired. VIK is considering extending its investment aims into strategic sectors for Lithuania under the guaranteed EMTN programme but this is subject to political decisions and may not happen in the near term.

## **KEY RATING DRIVERS**

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

The guarantee is valid over the entire maturity of the notes, covering interest and principal and issue expenses. The notes rank pari passu with all other present and future senior unsecured debt of the state.

The EMTN programme has a total value of up to EUR400 million. Three series of guaranteed notes have been issued for a total principal amount of EUR100 million. Notes are admitted to trading on regular market AB Nasdaq Vilnius and will remain until redemption on 30 June 2027, with an annual fixed coupon. The notes are governed by Lithuanian law.

VIK, the EMTN programme and the issuance of the state guarantee constitute state aid within EU law. The EU Commission has not raised objections as it recognises the proposed state measures as a remedy for 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 Ratings (IDR) due to the government guarantee covering all financial liabilities under the EMTN programme, which leads to equalisation of the notes' rating.

## **RATING SENSITIVITIES**

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

-An upgrade of Lithuania's ratings would result in an upgrade of the programme's and the notes' ratings

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

-Negative rating action on Lithuania will be reflected on the EMTN programme's and notes' ratings. Dilution of support from the guarantor as well as adverse changes to or termination of the guarantee provided will result in a review of the programme's and notes' ratings

## **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 state's Covid-19 measures for the Lithuanian economy. VIK is solely owned and tightly supervised by the state. VIK is considering expanding investment into strategic important sectors for Lithuania.

## **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 ratings.

## ESG CONSIDERATIONS

Fitch does not provide ESG relevance scores for UAB Valstybes investicinis kapitalas.

In cases where Fitch does not provide ESG relevance scores in connection with the credit rating of a transaction, programme, instrument or issuer, Fitch will disclose any ESG factor that is a key rating driver in the key rating drivers section of the relevant rating action commentary. For more information on Fitch's ESG Relevance Scores, visit

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## RATING ACTIONS

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

[VIEW ADDITIONAL RATING DETAILS](#)

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**APPLICABLE CRITERIA**

[Public Policy Revenue-Supported Entities Rating Criteria \(pub. 12 Jan 2024\) \(including rating assumption sensitivity\)](#)

[Government-Related Entities Rating Criteria \(pub. 09 Jul 2024\)](#)

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UAB Valstybes investicinis kapitalas

EU Issued, UK Endorsed

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