



## RATING ACTION COMMENTARY

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

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Fitch Ratings - Warsaw - 06 Sep 2023: Fitch Ratings has affirmed the senior unsecured ratings of UAB Valstybes investicinis kapitalas' (VIK) euro-denominated European medium-term note (EMTN) programme and the notes issued under it 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 linkage and incentive 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 in Lithuania, affected by the pandemic. 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.

## 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 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.

The EMTN programme has a total value of up to EUR400 million. All the notes issued by VIK under the programme are guaranteed by the Republic of Lithuania. 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, with a tenor of up to four years, with an annual fixed coupon. The notes are governed by the law of Lithuania.

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 in 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.

## **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 pandemic 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 ratings.

## ESG CONSIDERATIONS

Fitch no longer provides scores for UAB Valstybes investicinis kapitalas as its ratings and ESG profiles are derived from its ultimate parent (the Lithuania state).

ESG relevance scores and commentary for the parent entity can be found here <https://www.fitchratings.com/entity/lithuania-80442242>

## 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**

[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

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UAB Valstybes investicinis kapitalas

EU Issued, UK Endorsed

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