



## RATING ACTION COMMENTARY

# Fitch Assigns Lithuanian UAB Valstybes investicinis kapitalas' EURO EMTN Programme Final Rating 'A'

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Fitch Ratings - Warsaw - 10 Sep 2021: Fitch Ratings has assigned UAB Valstybes investicinis kapitalas' (VIK) euro-denominated European medium-term note (EMTN) programme and the notes to be issued under the programme final senior unsecured 'A' ratings. The notes are unconditionally and irrevocably guaranteed by the Republic of Lithuania (A/Stable). The final debt rating is assigned at the senior unsecured level, versus the expected debt rating assigned at the senior secured level, after Fitch has considered it more appropriate for the programme and the notes.

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 issuance 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 up to EUR400 million. All the notes issued under the programme will be guaranteed by the Republic of Lithuania. The first tranche is planned to be EUR30 million, with a tenor of up to four years, with an annual fixed coupon. The notes will be governed by the law of Lithuania. The net proceeds of the notes might be used to support large and medium-sized enterprises in Lithuania, affected by the Covid-19 outbreak.

VIK, the 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 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:

-A 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 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 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. 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	New Rating	A(EXP)

[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

[Dodd-Frank Rating Information Disclosure Form](#)

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UAB Valstybes investicinis kapitalas

EU Issued, UK Endorsed

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