FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Housing and Development Board at 'AAA'; Outlook Stable

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Fitch Ratings - Sydney/Shanghai - 10 Nov 2021: Fitch Ratings has affirmed Singapore-based Housing and Development Board's (HDB) Long-Term Foreign- and Local-Currency Issuer Default Ratings at 'AAA' with a Stable Outlook. Fitch has also affirmed HDB's SGD32 billion medium-term note programme and the notes directly issued by HDB from the programme at 'AAA'.

Fitch classifies HDB as a government-related entity (GRE) under our Government-Related Entities Rating Criteria and equalises its ratings with those of the Singapore sovereign (AAA/Stable). HDB is a statutory board under Singapore's Ministry of National Development (MND) and develops public housing under the direction of the MND to implement government policies. The rating affirmation reflects HDB's strong links to the sovereign.

KEY RATING DRIVERS

Status, Ownership and Control: 'Very Strong'

As a statutory board, HDB is required to implement policies and comply with instructions from the MND and other government ministries and departments. Its board and CEO are appointed by the Minister for National Development, subject to the President of Singapore's concurrence. HDB's dissolution and the transfer of its liabilities would be done via legislation, as it is established by statute. The government maintains tight control of HDB and closely monitors and directs its operations, including the approval of its annual budget.

Support Track Record: 'Very Strong'

We regard the strong regulatory support framework as the major driver of this assessment, despite the absence of a government guarantee. HDB receives consistent and significant financial support from the government by way of grants and debt funding to support its operation. Its activities are policy-driven and the entity's deficits are fully financed by annual government grants. This also protects the reserves of past governments in accordance with Singapore's Constitution. Government funding for HDB is reflected in the national budget and is approved by the Minister for Finance.

The government also provides HDB with a housing development loan facility to fund its operations and development programmes as well as mortgage and upgrading financing loans to help it provide assistance to the purchasers of flats under public-housing schemes and to lessees of upgraded flats. Government loans accounted for 58% of HDB's interest-bearing debt in the financial year ended March 2021.

Socio-Political Implications of Default: 'Very Strong'

HDB was established in 1960 to address Singapore's housing shortage and improve the quality of public housing. The entity is the country's sole agency in charge of public housing and is involved in the planning, design and construction process, the implementation of public-housing policy and related social policies as well as the provision of commercial and social amenities for residents. HDB also provides mortgage financing to eligible home buyers. HDB's dominant role in the housing market would be difficult to substitute should it default, with significant social and political repercussions.

Financial Implications of Default: 'Very Strong'

We regard HDB as a proxy funding vehicle for the government, as the mortgage loans it provides under Singapore's public-housing scheme are financed by the government, which also routinely absorbs HDB's losses. HDB is also a large and frequent issuer of Singapore-dollar bonds to fund its operations, with total bonds outstanding of SGD25 billion at September 2021. We believe its default would have significant repercussions for the availability of debt market funding for the country's public sector, providing the government with a 'Very Strong' incentive to provide support, if needed.

Derivation Summary

We classify HDB as an entity linked to the Singapore sovereign under our GRE criteria and apply a top-down rating approach based on our assessment of the strength of its linkage with the sovereign and the government's incentive to support the entity.

The ratings reflect the tight integration of HDB in Singapore's housing policy and the high importance of these policies to the city-state's general strategy, given the population density and the scarcity of space in the country. We believe HDB acts as a quasi-sovereign entity and is key in the implementation of the government's public housing and social policies, acting under the direction and on behalf of the government.

The ratings are derived from the 'Very Strong' assessments for each of the four linkage and support factors under our GRE criteria, which results in a maximum support score of 60 and leads to HDB's ratings being equalised to those of the sovereign.

The ratings are assigned without an assessment of a Standalone Credit Profile (SCP) on the basis of HDB's close ties with the government and our view of the high likelihood of government support, if needed. We therefore consider that HDB's credit profile reflects that of the sovereign.

Issuer Profile

HDB, as Singapore's public-housing authority, is the sole entity under the MND in charge of public housing. It also provides financing to eligible public housing buyers. About 80% of Singapore's population lives in public housing provided by HDB, of which 90% hold the ownership of their flats.

RATING SENSITIVITIES

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

A sovereign downgrade, or a significant weakening in our assessment of HDB's linkages to the government or the government's incentive to provide support to the entity, which results in an overall support score of below 45 under our GRE criteria.

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

The ratings are at the highest level on Fitch's rating scale and cannot be upgraded.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The ratings of HDB are linked to the Singapore sovereign.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of 3 - 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 our ESG Relevance Scores, visit www.fitchratings.com/site/esg

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.

References for Substantially Material Source Cited as Key Driver Rating

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

RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
Housing and Development Board	LT IDR	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
•	LC LT IDR	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
• senior unsecured	LT	AAA	Affirmed	AAA

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Government-Related Entities Rating Criteria (pub. 30 Sep 2020)

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 02 Sep 2021) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Housing and Development Board	EU Endorsed, UK Endorsed

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