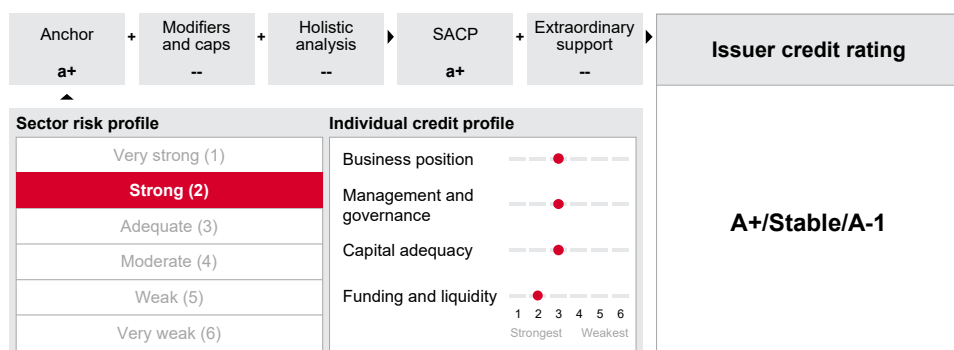


The Housing Finance Corp. Ltd.

September 25, 2025

This report does not constitute a rating action.

Ratings Score Snapshot



Credit Highlights

Overview

Key strengths

High share of the loan book is guaranteed directly by the U.K. government (unsolicited; AA/Stable/A-1+).

Sound business position reflecting diversified borrower pool and track record compared with local peers.

Strict matched-funding business model minimizes asset-liability.

Key risks

Current interest rate and continued competition could hamper growth efforts.

The credit quality of the U.K. social housing sector, to which the company lends, continues to be under pressure.

S&P Global Ratings expects The Housing Finance Corp. Ltd. (THFC) to maintain its sound business position in lending to the U.K. social housing sector, as management continues to develop up-to-date funding solutions amid continued competition from banks and own-name bonds.

A high share of THFC's loan book benefits from a sovereign guarantee, which supports our view of its strong asset quality, despite increasing pressures on the sector. We consider the group will also maintain adequate risk management policies and continue monitoring the credit quality of underlying borrowers.

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Outlook

The stable outlook indicates that THFC's position as a leading U.K. social housing pass-through vehicle (which operates under a match-funding principle) and its low-risk operating environment will offset the pressure coming from the strong competition from banks, as well as own-name placements by the social housing providers and limited growth in THFC's balance sheet in recent years.

Downside scenario

We could lower the rating if THFC's risk management policies became less prudent and if the company's relevance diminished, reflected for example by a substantial decrease of THFC's loan portfolio. We could also lower our rating if credit quality in the U.K. social housing sector deteriorated significantly.

Upside scenario

We could raise the rating if THFC significantly strengthened its market position while maintaining strong risk management standards and asset quality.

Rationale

Our 'A+' rating on THFC reflects our view of its good asset quality and management of risks associated with its main activities of lending to the U.K. social housing providers. THFC has the longest track record among bond aggregators in providing funding to the sector, and it benefits from close ties with about 150 borrowers.

We expect THFC's loan book to grow faster than in the past couple of years, reflecting the group's efforts in designing new funding solutions that address stakeholders' needs and new rising issues. Long-term borrowing activity has been subdued over the past couple of years, due to the low demand from providers as they prioritized investments in existing homes over developments, the relatively high-interest-rate environment, and growing competition from both other lenders and own-name bond placements. Earlier this year, THFC already issued a new £410 million bond (of which £150 million is retained), and we expect its experience, relationship with borrowers, and partnership with the National Wealth Fund to support future expansion of lending activities.

Our 'A+/A-1' ratings on [THFC Sustainable Finance PLC](#) and 'A+' rating on [T.H.F.C. Sustainable Finance \(No. 2\) Plc](#) reflect our view of these entities' core status within the THFC group. Both entities' purpose and objectives are lending and funding activities that are aligned to the group's business strategy and support the group's purpose to serve the funding requirements of housing associations in the U.K.

The 'AA' issue rating on debt issued by THFC's subsidiary Affordable Housing Finance PLC (AHF) continues to reflect the exclusive guarantee by the U.K. government, which we consider as timely, unconditional, and irrevocable.

Sector risk profile: Underpinned by exposure to U.K.-based social housing providers and supported by direct guarantees from the U.K. government

We view the overall sector risk profile of THFC as strong, based on a weighted-average approach. THFC's entire loan book exposure is to U.K. social housing providers, primarily based in England (86%), which benefit from an overall low industry risk and strong regulatory frameworks.

About 43% (£3.2 billion) of the loan book, lent via AHF, benefits from a guarantee by the U.K. government that complies with our guarantee criteria conditions. We therefore consider this part of the portfolio carries very low sector risk profile.

The unguaranteed part of the loan book is comprised primarily of England-based providers (45% of total), with some lending to Wales-based providers (7%) and less than 5% to providers in Scotland and Northern Ireland combined. For this share of the loan book, the starting point for our assessment is our view of the industry risk, which in our opinion is low for all U.K.-based social housing sectors. We negatively adjust the sector risk profile component for English social housing providers, to reflect country specific adverse considerations, which are captured in our regulatory framework assessment (see "[Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K.](#)," April 17, 2025, on RatingsDirect). We think the regulatory frameworks under which social housing providers in the devolved regions operate are stronger, and the risk exposure to them is well captured within the sector low industry risk.

Individual credit profile: Solid business model and market position support THFC's growth prospects

We expect THFC's loan portfolio growth will resume in the next one to two years, albeit at a modest pace. This reflects our view that, while U.K. social housing providers will have funding needs to fulfill, these are lower than historically as they continue scaling back on their new development spending while prioritizing investments in existing stock. Furthermore, THFC continues to face strong competition for its offerings, and although the interest rate remains high, providers may not commit to fixed long-term funding. Nevertheless, we believe the company will still preserve its market share and remain the largest pass-through vehicle in the market. As of the end of fiscal year 2025 (March 31, 2025), THFC had a gross loan book of £7.99 billion, slightly increasing from £7.95 billion on March 31, 2024, and have since sold another £260 million bond (out of a £410 million issue). Providing funding to nearly 160 borrowers, THFC currently accounts for about 7% of the U.K. social housing sector's total debt stock, and we estimate it has provided only 0.1% of the sector's funding needs in fiscal 2025. This is similar to the prior year, reflecting primarily the subdued funding activity by the sector. THFC has the longest track record among domestic peers and has historically enjoyed strong portfolio growth. We expect its relationship with borrowers and long-standing market position would allow it to resume growth in lending. We think this will be supported by new product offerings and partnerships THFC is exploring, aiming to provide funding solutions that are addressing new market needs.

We consider THFC's strategic goals to be consistent with its market position, operational capabilities, and the funding needs of U.K. housing associations. Management's refreshed strategy introduced an ambition for future growth, and the group is proactive in designing new funding solutions to maintain its attractiveness, following slow new lending activity over the past few years. We continue to think the group has adequate expertise and experience in operating its major business lines.

Furthermore, THFC benefits from a robust governance framework since, unlike other U.K.-based public-sector funding agencies, the group has board nominees from the regulator of the English social housing sector and from the National Housing Federation, the English housing sector's trade body. THFC's credit and risk team closely monitors the performance of its borrowers by reviewing their reports and business plans. It also oversees the borrower watch-list and has its own grading system. The team scrutinizes all loan proposals and provides a credit opinion.

The Housing Finance Corp. Ltd.

THFC's business model limits interest-rate, currency, and funding risks. This is because lending is broadly at the same interest rates and on the same repayment schedule as the funds that it borrows from. The group follows a strict matched-funding approach to minimize asset-liability risk. It does not have currency risk either; its funding and lending are both denominated in pound sterling. For most loans, THFC receives payments from the borrowers up to a month before payments to investors are due, providing a timely buffer to identify any issues early. Furthermore, we understand that many of the borrowers in THFC's loan book have placed a liquidity reserve worth 12 months of their coupon payments with a trustee, which THFC can access in case of any missed coupon payment by a borrower. This is an additional risk mitigant in the short term to a failure of a specific borrower.

We continue to see the group's capital as adequate, underpinned by THFC's operations as a pass-through vehicle. While we don't calculate the risk-adjusted capital ratios for pass-through vehicles, we positively note that THFC has increased its own reserves to about £66 million in fiscal 2025, an almost 6% increase compared with the prior year.

We assess THFC's funding and liquidity position as strong, supported by its robust capacity to cover its liabilities, even under severe liquidity stress scenarios. Furthermore, conservative match-funding policies ensure that liquidity ratios will remain structurally above 1x, meaning that the group has ample cushion to cover its liabilities under a severe liquidity stress scenario without accessing capital markets. Further supporting this view is a one-month gap between the group's obligation to pay investors and payments received from its borrowers.

The Housing Finance Corp. Ltd. -- Selected Indicators

(Mil. £)	--Fiscal year ended March 31--				
	2025	2024	2023	2022	2021
Business position					
Total adjusted assets	8,137	8,147	8,360	8,549	8,004
Customer loans (gross)	7,989	7,952	8,130	8,221	7,874
Growth in loans (%)	0.5	(2.2)	(1.1)	4.4	5.6
Net interest revenues	271.0	281.0	282.0	267.6	262.0
Noninterest expenses	10.1	7.2	6.5	6	5.2
Capital and risk position					
Total liabilities	8,072	8,085	8,303	8,497	7,958
Total adjusted capital	66	63	57	52	46
Assets/capital	123.3	129.3	147.1	163.4	172.5
Funding and liquidity	0	0	0	0	0
Liquidity ratio with loan disbursement (1 year)	1.5	4.0	1.4	2.9	1.2
Liquidity ratio without loan disbursement (1 year)	1.5	4.0	1.4	2.9	1.2
Funding ratio (1 year)	1.7	4.3	1.5	3.3	1.5

Rating Component Scores

The Housing Finance Corp. Ltd. -- Rating Component Scores

Sector risk profile	Strong
Business position	3
Management and governance	3

The Housing Finance Corp. Ltd. -- Rating Component Scores

Capital adequacy	3
Funding and liquidity	2
Anchor	a+
Modifiers and caps	--
Holistic analysis	--
SACP	a+
Extraordinary support	--
Issuer credit rating	A+

SACP--Stand-alone credit profile.

Related Criteria

- [Criteria | Governments | International Public Finance: Methodology For Rating Non-U.S. Public-Sector Funding Agencies](#), July 26, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [U.K. Social Housing Providers: Extra Development Grants Won't Improve Financial Headroom](#), June 26, 2025
- [Non-U.S. Social Housing Providers Ratings Risk Indicators: Stabilization At Lower Levels](#), May 12, 2025
- [Non-U.S. Social Housing Providers Ratings History: April 2025](#), May 12, 2025
- [U.K. Social Housing Borrowing 2025: Focused On Containing Debt](#), April 24, 2025
- [Regulatory Framework Assessment: Strong For Social Housing Providers In The U.K.](#), April 17, 2025
- [United Kingdom](#), April 14, 2025

Ratings Detail (as of September 25, 2025)*

Housing Finance Corp. Ltd. (The)	
Issuer Credit Rating	A+/Stable/A-1
Issuer Credit Ratings History	
19-Sep-2024	A+/Stable/A-1
06-Jul-2016	A/Stable/A-1
24-Jun-2004	A+/Stable/A-1
Related Entities	
T.H.F.C. (Funding No. 1) PLC	

Ratings Detail (as of September 25, 2025)*

Senior secured	A+
<u>T.H.F.C. (Funding No. 2) PLC</u>	
Senior secured	A+
<u>T.H.F.C. (Funding No. 3) PLC</u>	
Senior secured	A+
<u>THFC Sustainable Finance PLC</u>	
Issuer Credit Rating	A+/Stable/A-1
<u>T.H.F.C. Sustainable Finance (No.2) Plc</u>	
Issuer Credit Rating	A+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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