

**Rating Action: Moody's assigns Aaa ratings to Temasek's proposed USD notes**

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29 Sep 2020

Singapore, September 29, 2020 -- Moody's Investors Service has today assigned Aaa ratings to the proposed 10-year, 30.5-year & 50-year USD denominated senior unsecured notes to be issued by Temasek Financial (I) Limited, a wholly owned financing subsidiary of Temasek Holdings (Private) Limited (Temasek, Aaa stable).

These notes are issued pursuant to Temasek Financial (I) Limited's USD25 billion guaranteed global medium-term note (MTN) program ((P)Aaa) and are irrevocably and unconditionally guaranteed by Temasek. The proceeds will be used by Temasek and its investment holding companies to fund their ordinary course of business.

The outlook on the ratings is stable.

**RATINGS RATIONALE**

"Temasek's Aaa rating reflects its strong fundamental credit quality as an investment company, supported by steady and recurring dividend income, as well as its large and high-quality investment portfolio. In addition, Temasek's largest investee companies and major dividend contributors have strong investment-grade credit profiles," says Jacintha Poh, a Moody's Vice President and Senior Credit Officer.

Temasek is an investment company and does not guarantee the financial obligations of its portfolio companies. Moody's only assessed the parent, its investment holding companies and special purpose funding vehicles in assigning the ratings. On this basis, Temasek continues to maintain a net cash position as of March 2020.

"We expect the company to maintain a conservative financial profile, with the net debt to market value of its portfolio assets (excluding cash) staying below 5% and funds from operations (FFO) interest coverage above 15x," says Poh, who is also Moody's Lead Analyst for Temasek.

The Aaa rating is also anchored by Temasek's excellent liquidity, supported by its sizeable reserve of cash and liquid securities which Moody's expects to be maintained. This reserve provides strong debt service coverage to mitigate potential volatility in cash flows and asset values.

As a government-related issuer, Temasek's ratings benefit from its 100% ownership by the Government of Singapore through the Minister for Finance, although currently its baseline credit assessment -- the measure of its standalone credit quality -- is also positioned at aaa.

The stable outlook reflects Moody's expectation that Temasek's credit metrics will remain strong and the company's management will retain its prudent and conservative approach to its investment and funding strategies.

In terms of environmental, social and governance (ESG) considerations, Temasek has indirect exposure to environmental risk through its investee companies. However, Temasek's portfolio largely consists of companies that have low exposure to environmental risk. Sustainability of returns is integral to Temasek's investment approach. Moody's estimates that as of 31 March 2020, sectors that have elevated or moderate environmental risk accounted for only a small portion of Temasek's portfolio and dividend income. The energy & resources sector account for only at about 2% of the portfolio.

Despite having a single shareholder, the governance risk for Temasek is largely mitigated by the oversight exercised by a board that consists of 10 independent directors out of a total 12 of directors and by Temasek's track record of maintaining an extremely conservative financial profile.

**FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS**

The rating is Aaa and cannot be upgraded.

Temasek has a standalone aaa rating. Should the company's underlying credit fundamentals deteriorate and

its fundamental rating be downgraded, Moody's joint default analysis framework would become relevant to the rating analysis.

Temasek's standalone credit rating could be downgraded if (1) the company undertakes make aggressive investments that result in a material deterioration in the credit quality of its investment portfolio; (2) the amount and quality of the company's cash and near-cash resources to deteriorate significantly; or (3) there are indications of moral hazard behavior, such as providing funding support for nonperforming investee companies or channeling financial resources to its government shareholder, that could have an adverse impact on Temasek's financial position.

The methodologies used in these ratings were Investment Holding Companies and Conglomerates published in July 2018 and available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1125855](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1125855), and Government-Related Issuers Methodology published in February 2020 and available at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1186207](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1186207). Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of these methodologies.

Temasek is an investment company based in Singapore and is 100%-owned by the Minister for Finance, a body corporate under the Singapore Minister for Finance (Incorporation) Act (Chapter 183).

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1133569).

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Jacintha Poh  
VP - Senior Credit Officer  
Corporate Finance Group  
Moody's Investors Service Singapore Pte. Ltd.  
50 Raffles Place #23-06  
Singapore Land Tower  
Singapore 48623  
Singapore  
JOURNALISTS: 852 3758 1350  
Client Service: 852 3551 3077

Vikas Halan  
Associate Managing Director  
Corporate Finance Group  
JOURNALISTS: 852 3758 1350  
Client Service: 852 3551 3077

Releasing Office:  
Moody's Investors Service Singapore Pte. Ltd.  
50 Raffles Place #23-06  
Singapore Land Tower  
Singapore 48623  
Singapore  
JOURNALISTS: 852 3758 1350  
Client Service: 852 3551 3077



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