

October 18, 2009

Singapore's Temasek Holdings Proposed Benchmark Notes Assigned 'AAA'

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- Temasek Holdings plans to issue benchmark-size Series 2 senior unsecured notes due 2019, through Temasek Financial (I) Limited.
- We have assigned a 'AAA' rating to these notes, which will be unconditionally and irrevocably guaranteed by Temasek.

SINGAPORE (Standard & Poor's) Oct. 19, 2009--Standard & Poor's Ratings Services today assigned its 'AAA' rating to the benchmark-size Series 2 senior unsecured notes to be issued by Temasek Financial (I) Limited, which are unconditionally and irrevocably guaranteed by Singapore's Temasek Holdings (Private) Limited (AAA/Stable/--).

These notes are the second issuance under Temasek's US\$5 billion medium-term note (MTN) program. The ratings on that program and the US\$1.75 billion Series 1 guaranteed unsecured notes due 2015 by Temasek Financial are also 'AAA'.

The corporate credit rating on Temasek reflects its very strong liquidity position, highly diversified and liquid investments, and Standard & Poor's view on the likelihood of extraordinary support from the Singapore government (AAA/Stable/A-1+), if needed. In addition, most of its major investments have strong business risk profiles, with steady and sustainable cash flows.

The holding's investment portfolio is highly diversified with no single investment accounting for more than 17% of the portfolio value. Temasek has adopted a more cautious stance given the economic conditions prevailing with its divestments exceeding its investments and recapitalizations during the

year.

The rating factors in the strength of its sole shareholder, the Singapore government, the constitutional safeguards that protect Temasek's reserves, and its shareholding interest in some sectors that Standard & Poor's believe are strategic for the Singaporean economy. The government made net capital injection of Singapore dollar (S\$) 10 billion into Temasek during the fiscal year ended March 31, 2008.

Nevertheless, about one-third of Temasek's investments are exposed to the financial sector, which adds volatility to its investment portfolio. In addition, its exposure to emerging Asia has grown over the past few years, adding higher country, legal, and regulatory risks to its portfolio. We expect this exposure to continue, in light of the announced refinement of its long-term directional portfolio mix: Asia-ex Singapore (40%), Singapore (30%), OECD (20%), and other geographies such as Latin America, Russia, and Africa (10%). Nevertheless, its liquidity, low leverage, and exceptional financial flexibility have so far compensated for these risks.

Temasek's liquidity is very strong, both at the company level and on a consolidated basis. At the holding company level, its liquid assets are placed mainly in cash and deposits, equities, government bonds, and corporate bonds. As at March 2009, Temasek's cash and cash equivalents exceeded its indebtedness at the holding company level.

On a consolidated level, cash balance and short-term marketable securities of S\$34 billion at March 31, 2009, were more than sufficient to cover the group's short-term debt of S\$11 billion. Temasek does not provide financial guarantees to its portfolio companies.

RELATED RESEARCH

This article is based in part on the following criteria articles:

"Corporate Ratings Criteria 2008," published April 15, 2008, on RatingsDirect.

"Rating Methodology for European Investment Holding and Operating Holding Companies," published May 28, 2004, on RatingsDirect.

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