

Temasek Holdings' Singapore Dollar-Denominated Notes Assigned 'AAA' Rating

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- Temasek Holdings unconditionally and irrevocably guarantees the S\$1 billion 10-year senior unsecured notes to be issued by Temasek Financial (I) Ltd.
- We have assigned our 'AAA' issue rating to these notes.

SINGAPORE (Standard & Poor's) Feb. 8, 2010--Standard & Poor's Ratings Services today assigned its 'AAA' rating to the Singapore dollar (S\$) 1 billion, 10-year series 6 senior unsecured guaranteed notes to be issued by Temasek Financial (I) Limited. Temasek Holdings (Private) Limited (AAA/Stable/--) unconditionally and irrevocably guarantees these issues.

These notes were issued under Temasek's recently increased US\$10 billion guaranteed global medium-term note program. The five issues previously made as part of this program (a total of approximately US\$4.2 billion) are also rated 'AAA'.

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

The holding company's investment portfolio is highly diversified with no single investment accounting for more than 17% of the portfolio value.

Temasek's investment stance has become more cautious due to economic conditions. Its divestments have exceeded its investments and recapitalizations for the fiscal year ended March 31, 2009.

The rating on Temasek factors in the strength of the company's sole shareholder, the Singapore government, the constitutional safeguards that protect Temasek's reserves, and its shareholding interest in some sectors that Standard & Poor's believes are strategic for the Singapore economy. As an indication of ongoing support, the government injected net capital of Singapore dollars (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, increasing country, legal, and regulatory risks. 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 regions, such as Latin America, Russia, and Africa (10%). Nevertheless, Temasek's liquidity, low leverage, and exceptional financial flexibility have so far compensated for these risks.

RELATED RESEARCH

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

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

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

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