

Rating Action: Moody's assigns Aaa rating to Temasek's proposed SGD Bond offering

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Singapore, October 16, 2018 -- Moody's Investors Service has today assigned Aaa rating to the proposed offering of 5-year SGD-denominated senior unsecured notes ('Series Number 1') to be issued by Temasek Financial (IV) Private Limited, a wholly owned financing subsidiary of Temasek Holdings (Private) Limited (Aaa stable "Temasek").

These notes will be issued pursuant to SGD5 billion Guaranteed Medium Term Note (MTN) Programme ((P)Aaa) and will be irrevocably and unconditionally guaranteed by Temasek.

The outlook on the rating is stable.

RATINGS RATIONALE

'Temasek's Aaa rating reflects its strong fundamental credit profile as an investment company. This strength is supported by its steady and recurring dividend income as well as its large and increasingly diverse investment portfolio. Furthermore, Temasek's largest investee companies and major dividend contributors have strong investment grade credit profiles,' says Vikas Halan, a Moody's Senior Vice President.

Temasek is an investment company, and does not guarantee the financial obligations of its portfolio companies. Moody's only assesses the parent and its investment holding companies and special purpose funding vehicles when assigning the ratings. On this basis, Temasek continues to maintain a net cash position as of March 2018.

'We expect the company to maintain net borrowings to market value of portfolio below 5% and FFO interest coverage above 15x,' says Halan who is Moody's Lead Analyst for Temasek.

Temasek's own debts are not guaranteed by the Government of Singapore (Aaa stable). Nevertheless it is wholly-owned by the Minister for Finance and it is designated a Fifth Schedule company under the Singapore Constitution. Temasek is not directed by the government but through its sheer exposure to Singapore -- 53% of its portfolio is denominated in Singapore dollars and 27% of the portfolio by underlying assets is in Singapore -- Moody's believes that the interests of both are naturally aligned.

The rating also reflects Temasek's excellent liquidity profile. Moody's expects the company to maintain its sizeable reserve of cash and liquid securities. This reserve provides strong debt service coverage to mitigate the risk of any volatility in cash flow and asset value. Moody's further expects Temasek's internal funds (that is, cash, liquid investments, dividend and investment income and divestment proceeds) to cover its 12-month forward committed cash requirements (principally, interest, current debt repayments, and operating overheads) and dividends to the government.

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

The outlook is stable reflecting our expectation that Temasek's credit metrics will remain strong and that management will retain its prudent and conservative approach to its investment and funding strategy.

The rating is Aaa and cannot be upgraded.

Temasek has a BCA of aaa. Should its underlying credit fundamentals deteriorate and the fundamental rating be downgraded, our Joint Default Analysis framework would become relevant to the rating analysis.

Downward rating pressure on the standalone credit rating could emerge if (1) Temasek were to make aggressive investments, resulting in a material deterioration in the credit quality of its investment portfolio; (2) the amount and quality of its cash and near-cash resources were to deteriorate significantly; or (3) there were

indications of moral hazard behavior - such as providing funding support for non-performing 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 this rating was Investment Holding Companies and Conglomerates published in July 2018, and Government-Related Issuers published in June 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

Temasek Holdings (Private) Limited is an investment holding 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).

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