

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

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- Temasek unconditionally and irrevocably guarantees the S\$300 million 20-year and S\$300 million 30-year senior unsecured notes recently issued by Temasek Financial (I) Ltd.
- We assigned 'AAA' issue ratings to these notes.

SINGAPORE (Standard & Poor's) Nov. 24, 2009--Standard & Poor's Ratings Services today assigned its 'AAA' ratings to the Singapore dollar (S\$) 300 million 4.0% series 4 guaranteed notes due 2029 and to the S\$300 million 4.2% series 5 guaranteed notes due 2039 issued by Temasek Financial (I) Ltd. Temasek Holdings Pte. Ltd. (AAA/Stable/--) unconditionally and irrevocably guarantees these issues.

These notes were issued under Temasek's US\$5 billion medium-term note program. The three issues previously made as part of this program (a total of US\$3.75 billion) are also rated 'AAA'.

The corporate credit rating on Temasek 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 this year.

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. The government injected net capital of 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.

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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