

## Temasek Holdings' Sterling-Denominated Notes Assigned 'AAA' Rating

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SINGAPORE (Standard & Poor's) July 20, 2010--Standard & Poor's Ratings Services today assigned its 'AAA' rating to the £200 million 4.625% Series 9 senior unsecured guaranteed notes due 2022, and the £500 million 5.125% Series 10 senior unsecured guaranteed notes due 2040, issued by Temasek Financial (I) Limited. Temasek Holdings (Private) Limited. (AAA/Stable/--) unconditionally and irrevocably guarantees these issues.

These notes are issued under Temasek's US\$10 billion guaranteed global medium-term note program ('AAA'). The eight issues previously made as part of this program (a total of approximately US\$5.6 billion) are also rated 'AAA'.

The 'AAA' corporate credit rating and stand-alone credit profile on Temasek reflect the company's exceptional liquidity position, highly diversified and liquid investments. In addition, most of Temasek's major investments have strong business risk profiles, with steady and sustainable cash flows. Temasek's credit profile also benefits from ongoing support from its sole shareholder, the government of Singapore (AAA/Stable/A-1+); the Singapore dollars (S\$) 10 billion in capital that the government injected into Temasek during the fiscal year ended March 31, 2008, was, in our view, an indication of ongoing support.

In accordance with our criteria for government-related entities (GREs), our view is that there is an extremely high likelihood of extraordinary government support if required, based on our assessment of the following characteristics of Temasek:

- Its "critical" importance to the government of Singapore, due to its shareholding in some sectors that Standard & Poor's believes are

strategic for the Singapore economy; and

- Its "very strong" link with its sole owner, the government of Singapore; as a Fifth Schedule Company under the Singapore Constitution, Temasek is subject to constitutional safeguards where the president of Singapore has an independent role to safeguard Temasek's past reserves.

The company's investment portfolio is diversified, with no single investment accounting for more than 15% of the portfolio value as at March 31, 2010. Temasek's investment stance has become more cautious due to the economic conditions, and so its divestments and dividends inflow have exceeded or matched its investments and recapitalizations during the past two fiscal years.

Nevertheless, slightly more than 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, and is expected to keep growing. This increases 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, excluding Singapore (40%); Singapore (30%); Organization for Economic Cooperation and Development (OECD) (20%); and other regions (10%). However, we believe Temasek's liquidity, low leverage, and exceptional access to capital markets and government support, have so far compensated for these risks.

#### RELATED CRITERIA AND RESEARCH

- 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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