

Highlights of the Sovereign Rating on the Republic of Singapore

Updated Rating

Long-term Local Currency: AAA_i

Long-term Foreign Currency: AAA_i

Outlook: Stable

Previous Rating

Long-term Local Currency: AAA_i

Long-term Foreign Currency: AAA_i

Outlook: Stable

Ratings updated on

July 22nd 2016

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Rating Opinions

United Ratings has decided to maintain the long-term local and foreign currency ratings of the Republic of Singapore (hereinafter, "Singapore") at AAA_i, with Stable outlook.

The People's Action Party has a stable reign of the country and the efficacy of government policies has demonstrated improvement. The economy will remain sluggish in the near term but is expected to remain strong in the medium to long run. Fiscal spending tends to expand in scale but fiscal surplus will continue. The banking sector is faced with pressures of the quality of credit assets entering a downward trajectory and lowered profitability, but the overall risk level is insufficient to pose a threat to the safety of the banking system. Strong external conditions will continue to provide reliable guarantees to the country's ability of servicing foreign liabilities. As such, the Singaporean government's abilities of servicing domestic and foreign currency debts will remain stable in general.

Reasons for Maintaining Ratings

- Singapore's politics will remain highly stable, with improved policy efficacy.
- Impacted by the stagnant external economy, the country's economy will remain sluggish in the near term.
- Fiscal spend will increase, but fiscal surplus will continue.
- The banking sector is faced with pressures of the quality of credit assets entering a downward trajectory and lowered profitability, but the overall risk level is insufficient to pose a threat to the safety of the banking system.
- Total import/export edges lower, but large-scale current account surplus continues to safeguard its strong ability in foreign debt servicing

Outlook

In the short term, the People's Action Party's reigning position will remain stable and the country's economy will go through a period of stagnation; however, the robustness of the financial system and fiscal surplus will both maintain,

and the decline in foreign trade will not shake its strong external conditions. As such, United Ratings has decided to maintain the outlook on Singapore's local and foreign currency ratings for the coming 1-2 years.

Key Indicators of the Sovereign Rating on the Republic of Singapore

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 ^f |
|--|----------|----------|----------|----------|----------|-------------------|
| Nominal GDP (billion USD) | 275.2 | 289.3 | 300.3 | 306.4 | 292.7 | 302.3 |
| GDP per capita (USD) | 53,087.2 | 54,452.6 | 55,617.2 | 56,009.8 | 52,887.8 | 53,050.0 |
| Real GDP growth (%) | 6.20 | 3.70 | 4.70 | 3.30 | 2.00 | 1.60 |
| Inflation rate (%) | 5.20 | 4.60 | 2.40 | 1.00 | -0.50 | -0.80 |
| Total lending/GDP (%) | 137.40 | 147.50 | 162.20 | 180.20 | 173.30 | 175.30 |
| Domestic credit growth (%) | 17.50 | 12.40 | 22.10 | 17.30 | -1.10 | 2.30 |
| M2 growth (%) | 10.00 | 7.20 | 4.30 | 3.30 | 1.50 | 3.90 |
| Budget balance of governments/GDP (%) | 1.20 | 1.90 | 1.30 | 1.30 | 0.60 | 0.60 |
| Primary balance of governments/GDP (%) | 1.20 | 1.90 | 1.30 | 1.30 | 0.60 | 0.60 |
| Public debt/GDP (%) | 102.30 | 106.50 | 103.90 | 99.80 | 104.70 | 105.80 |
| Current-account balance/GDP (%) | 22.80 | 18.10 | 17.90 | 17.50 | 19.80 | 19.50 |
| Total foreign debt/GDP (%) | 144.60 | 150.10 | 153.90 | 156.60 | 159.00 | 154.60 |
| Total external debt/Current-account credit (%) | 63.90 | 68.20 | 70.90 | 72.90 | 80.10 | 80.30 |
| Short-term foreign debt/Total foreign debt (%) | 38.10 | 39.80 | 40.20 | 37.80 | 36.30 | 33.30 |
| International reserves/Total foreign debt (%) | 59.80 | 59.70 | 59.10 | 53.50 | 53.20 | 52.50 |
| Gross external financing requirement/GDP (%) | 43.00 | 46.60 | 52.30 | 56.10 | 56.80 | 52.20 |

Source: Sovereign Rating Database of United Ratings.

Note: The fiscal data are of a fiscal year ending up by March 31st, "f" stands for forecasts.