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Research Update:

Government Development Bank For Puerto Rico Issue-Level Ratings Lowered To 'D' From 'CC' On Default On Debt Service

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Rating Action

On Sept. 8, 2016, S&P Global Ratings lowered certain of its issue-level ratings on the Government Development Bank For Puerto Rico's (GDB) senior unsecured notes outstanding to 'D' (default) from 'CC' following confirmation of missed interest payments on debt service due Aug. 1 and Sept. 1, 2016. S&P Global Ratings also affirmed its 'SD' (selective default) long-term issuer credit rating on GDB.

Rationale

On Sept. 7, the trustees of the aforementioned securities, through an Electronic Municipal Market Access filing, confirmed that GDB had failed to cure its defaults on the interest payments that were due Aug. 1, through the 30-day grace period. In addition, they confirmed that GDB was in default on all interest payments due Sept. 1, 2016 as well, because the GDB board of directors decided not to seek authorization (as part of the Executive Order) from the governor to make this interest payment. No principal was due on any of the above dates. As a result, we have lowered our issue rating on several senior unsecured GDB notes to 'D' (default) from 'CC' and affirmed our 'SD' long-term issuer credit rating.

We believe a default on GDB's other upcoming debt maturities and interest payments is virtually certain, and this is reflected in our 'CC' rating on the securities not currently in default. We will likely lower our ratings on such instruments to 'D' upon an actual default of principal or interest payment on the respective scheduled due dates. When all of GDB's debt is in default, we will likely lower the issuer credit rating to 'D' (for default) from the current 'SD'.

Related Criteria And Research

Related Criteria

- Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And

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Assumptions, Jan. 29, 2015

- Group Rating Methodology, Nov. 19, 2013
- Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks, May 4, 2010
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009
- Understanding Standard & Poor's Rating Definitions, June 3, 2009
- Rating Implications Of Exchange Offers And Similar Restructurings, Update, May 12, 2009
- Commercial Paper I: Banks, March 23, 2004

Related Research

- Puerto Rico GO Debt Downgraded To 'D' From 'CC' On Default On Debt Service , July 7, 2016
- Government Development Bank For Puerto Rico Issue-Level Rating Lowered To 'D' On Missed Payment, May 3, 2016
- Government Development Bank For Puerto Rico Downgraded To 'SD' (For Selective Default) On Implementation of Moratorium, April 11, 2016
- Puerto Rico Debt Moratorium Could Lead To Default, April 6, 2016
- Ratings on Government Development Bank for Puerto Rico Not Affected By Moratorium Legislation, For Now, April 6, 2016
- Government Development Bank For Puerto Rico Downgraded To 'CC' From 'CCC-' On Imminent Default; Outlook Negative, July 14, 2015

Ratings List

Downgraded

	To	From
Government Development Bank for Puerto Rico Senior Unsecured (series 2010A, 2010B, 2010C, 2010D, 2011B, 2011H, 2011I, and 2012A)	D	CC

Ratings Affirmed

Government Development Bank for Puerto Rico Counterparty Credit Rating	SD/--/D
Senior Unsecured (series 2006B)	CC
Senior Unsecured (series 2011B)	D

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On Default On Debt Service*

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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