

# RatingsDirect®

---

## Research Update:

# Government Development Bank for Puerto Rico Ratings Lowered To 'BBB-' From 'BBB'; Outlook Negative

### Primary Credit Analyst:

Sunsierre Newsome, New York (1) 212-438-2421; [sunsierre\\_newsome@standardandpoors.com](mailto:sunsierre_newsome@standardandpoors.com)

### Secondary Contacts:

E.Robert Hansen, CFA, New York (1) 212-438-7402; [robert\\_hansen@standardandpoors.com](mailto:robert_hansen@standardandpoors.com)  
Kevin Cole, CFA, New York (1) 212-438-3818; [kevin\\_cole@standardandpoors.com](mailto:kevin_cole@standardandpoors.com)

## Table Of Contents

---

Overview

Rating Action

Rationale

Outlook

Related Criteria And Research

Ratings List

## Research Update:

# Government Development Bank for Puerto Rico Ratings Lowered To 'BBB-' From 'BBB'; Outlook Negative

## Overview

- We lowered our rating on the Commonwealth of Puerto Rico to 'BBB-' from 'BBB' and maintained the negative outlook.
- In our view, the link between the Government Development Bank for Puerto Rico (GDB) and the commonwealth is very strong, and GDB plays a very important role for the government.
- We are lowering our long-term issuer credit rating on GDB to 'BBB-' from 'BBB' and lowering our short-term issuer credit rating to 'A-3' from 'A-2'. The outlook remains negative.
- The negative outlook on GDB reflects the negative outlook on the commonwealth.

## Rating Action

On March 14, 2013, Standard & Poor's Ratings Services lowered its long-term issuer credit rating on the Government Development Bank for Puerto Rico (GDB) to 'BBB-' from 'BBB' and its short-term issuer credit rating to 'A-3' from 'A-2'. The outlook remains negative.

## Rationale

The rating action follows the downgrade of the Commonwealth of Puerto Rico to 'BBB-' from 'BBB'. We designate GDB as a government-related entity based on our view that the link between GDB and the commonwealth is very strong and that GDB plays a very important role for the government, given that it provides funding to the commonwealth and other Puerto Rican public corporations and that it is fiscal agent to the commonwealth and its instrumentalities. For example, the commonwealth has drawn \$775 million on its credit line with GDB, thereby lowering its fiscal year 2013 deficit. According to our criteria, the rating on GDB cannot be higher than the rating on the commonwealth because of the bank's lack of independence from the government. Therefore, we are downgrading GDB in conjunction with the downgrade of the commonwealth, even though we are maintaining GDB's 'bbb' stand-alone credit profile.

## Outlook

Our negative outlook on GDB mirrors our outlook on the commonwealth. If we lower our rating on the commonwealth, we will very likely lower our rating on GDB. We do not believe that GDB is sufficiently independent from the commonwealth to justify a higher rating. If GDB pays a large special dividend, which we do not view as likely, significantly increases its exposure to the commonwealth as a source of permanent deficit financing, or continues to shift its funding base toward wholesale borrowings, we could lower the rating--even if the rating on the commonwealth remains the same.

## Related Criteria And Research

- Summary: Commonwealth of Puerto Rico; Appropriations; General Obligation; General Obligation Equivalent Security; Moral Obligation, March 13, 2013
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010

## Ratings List

Downgraded

	To	From
Government Development Bank for Puerto Rico		
Issuer Credit Rating	BBB-/Negative/A-3	BBB/Negative/A-2
Certificate Of Deposit		
Local Currency	BBB-/A-3	BBB/A-2
Senior Unsecured	BBB-	BBB

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

Copyright © 2013 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription) and [www.spcapitaliq.com](http://www.spcapitaliq.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

**McGRAW-HILL**