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## Research Update:

# Government Development Bank For Puerto Rico Issuer Credit Rating Lowered To 'D' Following Missed Payments

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## Research Update:

# Government Development Bank For Puerto Rico Issuer Credit Rating Lowered To 'D' Following Missed Payments

## Overview

- On Dec. 9, 2016, the bond trustees confirmed that Government Development Bank For Puerto Rico (GDB) failed to make its principal and interest payments on certain of its senior bonds.
- We are therefore lowering our issuer credit rating on GDB to 'D' (default) from 'SD' (selective default), and our issue-level ratings on the bank's series 2006-B bonds to 'D' from 'CC'.

## Rating Action

On Dec. 9, 2016, S&P Global Ratings lowered its issuer credit rating (ICR) on Government Development Bank For Puerto Rico (GDB) to 'D' (default) from 'SD' (selective default) and lowered its issue-level ratings on GDB's series 2006-B bonds to 'D' from 'CC'. The downgrade follows confirmation of GDB having missed principal and interest payments due Dec. 1, 2016.

## Rationale

On Dec. 9, the trustees of the aforementioned securities, through an Electronic Municipal Market Access filing, confirmed that GDB had failed to make \$19.1 million of principal and approximately \$10.6 million of interest payments on certain of its senior bonds. With the Dec. 1 non-payment, GDB is now delinquent on all of its rated debt issues outstanding--on either principal or interest, or both. As a result, in addition to lowering the 2006 series B senior notes rating to 'D', we are also lowering our ICR on GDB to 'D'.

With the passage of the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act in April 2016, most of GDB's functions and responsibilities have already been transferred to a new entity called the Puerto Rico Fiscal Agency & Financial Authority (AAFAF). As part of that restructuring, the government has moved most of its treasury deposits to private commercial banks. The new entity, AAFAF, has assumed GDB's role as the island's fiscal agent and financial adviser, and is overseeing the commonwealth's debt restructuring efforts. At this stage, we believe GDB's existence as a viable operating entity is highly uncertain, given that it is in wind-down mode. This is reflected in our 'D' (default) ICR on the bank.

## Related Criteria

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 01, 2012
- Criteria - Financial Institutions - Banks: Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 09, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 09, 2011
- Criteria - Financial Institutions - Banks: Bank Capital Methodology And Assumptions, Dec. 06, 2010
- Criteria - Financial Institutions - Banks: Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks, May 04, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- General Criteria: Understanding Standard & Poor's Rating Definitions, June 03, 2009
- General Criteria: Rating Implications Of Exchange Offers And Similar Restructurings, Update, May 12, 2009
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

## Related Research

- Government Development Bank For Puerto Rico Issue-Level Ratings Lowered To 'D' From 'CC' On Default On Debt Service, Sept. 8, 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; Ratings Affirmed

	To	From
Government Development Bank for Puerto Rico		
Counterparty Credit Rating	D/--/D	SD/--/D
Senior Unsecured		
Series 2006B	D	CC

### Ratings Affirmed

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

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