January 9, 2009

Government Development Bank for Puerto Rico

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Government Development Bank for Puerto Rico

Major Rating Factors

Counterparty Credit Rating
BBB/Stable/A-2

Strengths:

- Strong capital ratios
- High-quality loan portfolio
- Highly liquid securities portfolio
- Demonstrated access to the capital markets

Weaknesses:

- Potentially increasing exposure to the commonwealth given the increasing structural budget deficit
- Business and geographic concentration
- Narrow net interest margins
- Elevated management turnover

Rationale

Standard & Poor's Ratings Services' ratings on the Government Development Bank for Puerto Rico (GDB) reflect its strong capital ratios, high-quality loan portfolio, highly liquid securities portfolio, and demonstrated access to the capital markets. However, the ratings also reflect potentially increasing exposure to the commonwealth given the increasing structural budget deficit, business and geographic concentration, narrow net interest margins, and elevated management turnover. The rating on GDB also takes into consideration the credit rating and outlook on the commonwealth of Puerto Rico (BBB-/Stable/--) given GDB's financial support to the commonwealth and a variety of its local municipalities and agencies. However, despite potentially increased exposure, we view the collateralization of certain loans to the commonwealth by specified tax receipts or tax liens, such as sales tax proceeds, favorably. For example, Act 125, which was passed in 2008, authorized the sale of tax receivables by the commonwealth to fund its deficit and named GDB as its fiscal agent and financial advisor in matters concerning the implementation of the Act.

We view favorably GDB's efforts to reduce its total loan exposure to the commonwealth and municipalities in recent years. Credit risk at GDB is relatively low given that its loans are concentrated among local government agencies, municipalities, and other public entities. For example, GDB has never experienced a loss on a loan to a public entity. However, as part of the commonwealth's fiscal reform package, it passed a law that prevents the government from borrowing from GDB for deficit-financing purposes. Finally, the new sales tax in Puerto Rico is 7%, with 1% of the sales tax proceeds now allocated toward repaying preexisting GDB loans.

GDB has remained consistently profitable in recent years, largely due to the high quality of its loan and investment securities portfolios. Specifically, the securities portfolio consists primarily of high-quality government agencies and money-market investments. However, net interest margins are very narrow given the attractive pricing offered to its borrowers. Liquidity remains strong given the high proportion of securities relative to total assets. Furthermore, we view GDB's demonstrated access to the capital markets, aided by the active participation of local banks, favorably.

GDB was created in 1948 as a public corporation of the commonwealth to act as a fiscal agent for the commonwealth and to aid Puerto Rico's economic development. In line with this mandate, the bank acts as a fiscal agent and advisor in connection with all borrowings and bond issues of the commonwealth, its public corporations, municipalities, and instrumentalities. GDB also makes loans to the commonwealth, purchases and guarantees obligations of the commonwealth and related entities, accepts commonwealth deposits, and makes loans to the private sector on a very limited basis. A seven-member board of directors appointed by the Governor of Puerto Rico governs GDB. GDB's president and administration are also subject to nomination by elected officials, which is typically associated with a gubernatorial election year in Puerto Rico, thereby resulting in potentially elevated management turnover.

Outlook

The outlook is stable based on our view that credit quality and profitability will also remain stable. Furthermore, we expect GDB to retain the vast majority of its net earnings, which should continue to benefit its capital base. We also expect our ratings on GDB and on the commonwealth to be highly correlated and the differential between their ratings not to exceed one notch. However, we could lower the rating if GDB's loan exposure to the commonwealth increases materially, if the commonwealth's structural budget deficit remains persistently large, or if GDB pays a large dividend. Conversely, we could raise the rating, which we view as less likely in the near term, if GDB reduces its exposure to the commonwealth or if the budget deficit of the commonwealth narrows significantly.

Profile: Promoting Economic Development

GDB is a public corporation and a unit of the commonwealth of Puerto Rico, created by Act No. 17 of Sept. 23, 1948. The bank charter provides for its perpetual existence and that no amendment to the charter or to any other law of Puerto Rico shall impair any outstanding obligations or bank commitments. GDB's principal functions are to act as fiscal agent and financial advisor for the commonwealth and its public entities and to make loans to public entities and private enterprises that will further Puerto Rico's economic development. In its role as fiscal agent, GDB acts as an advisor to the commonwealth and its instrumentalities in connection with all their borrowings, and GDB receives fees for its services.

These duties include serving as the main depository of Puerto Rico's public funds. GDB also acts as the Chief Investment Officer for the Government of Puerto Rico and as the fiscal manager of Puerto Rico's outstanding debt. GDB's initiatives and its diverse network of subsidiaries and affiliates are aimed at furthering Puerto Rico's socioeconomic development. GDB is exempt from taxation in Puerto Rico, except for excise taxes. GDB's charter allows the bank to invest in securities issued by any corporate entity engaged in Puerto Rico's economic development, as well as to guarantee loans and other obligations incurred by public and private entities.

In managing the public-sector finances, GDB's responsibilities include:

- Coordinating all bond issues for government corporations;
- Overseeing loans and credit lines to ensure prudent financial engineering, whereby government agencies, corporations, and instrumentalities can execute their development initiatives; and
- Structuring tax-free, private-sector investment options through a GDB affiliate, the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (AFICA).

GDB's subsidiaries include:

- Puerto Rico Housing Finance Corp. (merged with the Puerto Rico Housing Bank in February 2002. The financing of housing projects is within one entity, the Puerto Rico Housing Finance Authority);
- Puerto Rico Development Fund;
- Puerto Rico Capital Fund;
- Puerto Rico Public Finance Corp; and
- Puerto Rico Tourism and Development Fund.

GDB Puerto Rico affiliates include:

- Puerto Rico Municipal Finance Agency;
- Puerto Rico Infrastructure Financing Authority; and
- AFICA.

The Puerto Rico Housing Finance Agency is GDB's largest subsidiary and represents nearly 25% of total assets and the majority of GDB bonds outstanding. The Housing Finance Corp. was created in 1977 to provide public and private housing developers with interim and permanent financing through mortgage loans for the construction, improvement, and operation of rental housing for low-to-moderate-income families. The Housing Finance Corp. is authorized by HUD to administer the U.S. Housing Section 8 program in Puerto Rico and to act as an approved mortgagee for both multifamily and rental units and single-family homes. Although legally separate, the subsidiaries were created and can be dissolved through resolutions of the bank's board of directors. GDB's affiliates are created by law and can only be dissolved through legislation. The board of directors of each subsidiary is substantively the same as that of GDB.

Strategy: Management Turnover Is A Concern

GDB's president and administration are also subject to nomination by elected officials, which is typically associated with a gubernatorial election year in Puerto Rico, thereby resulting in potentially elevated management turnover. Puerto Rico's governor appoints GDB's president, which can result in relatively frequent changes in most of the officers of the bank.. GDB is governed by a seven-member board of directors, appointed by the Governor of Puerto Rico. Although GDB's board of directors provides some degree of continuity of governance and management, given the staggered terms, board members can also experience a high level of turnover when a new governor is elected. Mr. Carlos M. Garcia, who was nominated in November 2008 as President and Chairman of the Board of GDB by Puerto Rico's governor-elect, has significant and relevant experience and so we do not expect the bank's strategic direction to change materially.

Risk Management: Strong Credit Quality

Credit risk

Credit risk at GDB is relatively low given that its loans are concentrated among local government agencies, municipalities, and other public entities. For example, GDB has never experienced a loss on a loan to a public entity. In the past two fiscal years, loans have declined to nearly $6.0 billion, or roughly 62% of total assets, from nearly $7.4 billion as of June 30, 2006, which we view favorably from a credit perspective. The reduction in loans outstanding is largely due to reduced exposure to the government of the commonwealth. Specifically, in July 2007, $1.7 billion of loans to the government was repaid using proceeds from the new 7% sales tax, of which 1% was dedicated to repaying preexisting GDB loans to the commonwealth treasury, which we view favorably in our rating assessment. The sales tax proceeds are administered through the proceeds of $4 billion of COFINA (Puerto Rico Sales Tax Financing Corp.) appropriation bonds, which had maturities of up to 50 years and are rated 'A+'. Of GDB's loan portfolio, roughly $1 billion consists of preexisting outstanding loans, the repayment of which is from dedicated sales tax proceeds.

GDB's loans to the commonwealth, which have this dedicated source of repayment, are a significant proportion of the total loan portfolio. However, the commonwealth enacted a law in 2001 that prohibited any government entity from borrowing from GDB for which the source of repayment consists of appropriations from the General Fund without first obtaining the approval of the Legislative Assembly, with certain limited exceptions. Furthermore, GDB's current policy is not to provide financing to any instrumentality of the Commonwealth (other than the central government) unless the bank is satisfied that it has the ability to repay such financing from its own revenues. However, despite potentially increased exposure, we view certain loans to the commonwealth being collateralized by specified tax receipts or tax liens, such as sales tax proceeds, positively. For example, Act 125, which was passed in 2008, authorized the sale of tax receivables by the commonwealth to fund its deficit and named GDB as its fiscal agent and financial advisor in all matters concerning the implementation of the Act. Loans outstanding tend to peak at fiscal year-end June 30, and then decline immediately after the fiscal year-end. Loan pay-offs occur as agencies access the bond market to pay interim loans from GDB.

GDB's loans to municipalities have very strong credit history and collateral. For example, roughly two-thirds of its loans to municipalities are secured by pledged property taxes, while the remainder are payable from general municipal revenues. Also, municipal loans are secured by the CRIM's (Centro de Recaudacion de Ingresos Municipales) tax revenues withholding mechanism. GDB also extends loans to public corporations and short-term liquidity lines (fed funds lines) to the local regulated banks in Puerto Rico.

GDB has recently increased its loan commitments for a few high-end hotel construction projects through one of its subsidiaries, the Tourism Development Fund. GDB's total commitments outstanding exceed $500 million, which we expect to be funded during the next several years. We view pricing on these construction loans as highly competitive and view the exposure negatively from a credit perspective despite low loan-to-value ratios and well-funded developers.

The investment portfolio has very high credit quality given very conservative investment policies. The portfolio consists primarily of money-market investments, U.S. Treasury securities, and U.S. agency securities. The bank's holdings of term deposits and certificates of deposit are typically one month in maturity, which increases liquidity. Finally, GDB uses four different money-market funds for its money-market holdings.

Operational risk

We view operational policies and procedures as adequate, but view regulatory oversight as limited relative to other issuers that we rate. In our opinion, GDB has appropriate committees, compliance, and review policies, which are promoted by its management team. Finally, GDB enjoys a sound reputation within the financial services industry and within its local market.

GDB is subject to fewer regulators than most other banks that we rate. The bank is only regulated by The Commissioner of Financial Institutions of Puerto Rico, which performs audit examinations (reviews) every 18 months. Because GDB is not a bank holding company and does not have depositors, it is not regulated and supervised by the Federal Reserve Board or the FDIC. The bank is also not a member of any Federal Home Loan

Bank (FHLB).

Liquidity risk

Liquidity remains strong given the high proportion of securities relative to total assets. The investment portfolio represented roughly 30% of total reported assets at June 30, 2008, and cash and money-market assets comprised about 17% of total assets. We also view favorably that GDB has demonstrated consistent access to the capital markets, aided by the active participation of local banks. For example, GDB raised $1.23 billion in medium-term notes in December 2008. We think GDB's access to the capital markets is aided by the favorable tax treatment for investors on interest income received on GDB debt. However, we think a weakening economy, structural budget deficits in the commonwealth, and funding pressures among local commercial banks could modestly reduce GDB's potential access to funding in the near future.

GDB is primarily funded by customer deposits, which are generated from municipalities and other public entities, and provide a stable source of funds for the company. GDB competes for these deposits with the commercial banks in Puerto Rico. These deposits are primarily shorter term and represent about 73% of total funding at June 30, 2008, up from about 61% at June 30, 2007. In recent years, GDB has increased its issuance of medium-term notes (MTNs) to replace commercial paper (CP) for funding purposes, which has significantly lengthened the average maturity of its liabilities. As of Sept. 30, 2008, GDB had $955 million in bonds and notes outstanding and CP outstanding of less than $1 million. The maturities of the MTNs span a broad range of maturities, thereby reducing exposure to repayment risks.

Accounting: No Material Issues

We are currently not aware of any accounting issues that present material risks for the ratings. However, several accounting issues could affect GDB's financial statements. All balances and transactions of GDB's subsidiaries are consolidated with the bank's financial statements in accordance with GAAP. Finally, GDB's auditors have never required the bank to have a loan-loss reserve given that its loan-loss experience has been negligible.

Profitability: Consistent Profitability, But Thin Margins

GDB has remained consistently profitable in recent years, despite modestly higher funding costs. Net interest margins are very narrow, typically less than 1%, given the attractive pricing offered to its borrowers. However, profitability is still acceptable for the rating on a risk-adjusted basis and when considering the high cash balance and money-market assets held. Revenue growth has benefited from a stronger net interest margin and the level of short-term rates, as the investment portfolio has a significant holding of high-quality money-market investments. GDB has replaced CP with MTNs in recent years, which has elevated its funding costs. However, higher asset yields have helped to offset the effect on its spread from the increase in funding costs.

GDB's operating expenses appear relatively high, in part due to the inclusion of the Housing Finance Authority as part of GDB. The Housing Authority has a higher operating expense base, but also contributes a higher level of noninterest income to the revenue mix, all of which is associated with its Federal housing assistance programs. Operating expenses also appeared elevated in fiscal 2008, due to nonrecurring charges associated with the early retirement packages offered to employees. However, GDB has reduced headcount by about 62 people in recent quarters, which should reduce operating expenses by about $15 million during the next five years.

Capital: Well Capitalized

GDB had nearly $1.5 billion in capital as of June 30, 2008, and capital ratios are relatively high, which we view positively from a credit perspective. Capital ratios have improved in recent years, largely due to earnings retention and slower growth in total assets. For example, total shareholder's equity rose to 13.4% of total assets as of June 30, 2008, up from 13.0% as of June 30, 2007. However, the potential of a payment of a special dividend to the commonwealth remains a risk from a credit perspective. For example, a large special dividend of roughly $1 billion was paid in December 2004 to fund the Special Communities Trust, which was allocated toward low income-housing, roads, community donations, and infrastructure projects (like water facilities). Furthermore, there are at times some limited capital distributions associated with the business of the Housing Finance Agency. A small capital distribution up to 10% of profits or $10 million in total, in the form of a dividend, is eligible to be paid annually with the 2002 passage of Act 82 at the option of the board. Certain legal restrictions prohibit the commonwealth from extracting dividends or accessing the bank's capital base, ensuring a strong capital base will remain a part of GDB's credit profile.

Table 1

Balance Sheet Statistics											
	--Year ended June 30--						Breakdown as a % of assets (adj.)				
(Mil. $)	2008	2007	2006	2005	2004	-	2008	2007	2006	2005	2004
Assets											
Cash and money market instruments	1,881	2,771	2,441	1,792	1,202		17.26	25.88	20.70	20.54	16.09
Securities	3,297	1,212	1,288	1,078	1,910		30.24	11.32	10.93	12.35	25.57
Nontrading securities	3,297	1,212	1,288	1,078	1,910		30.24	11.32	10.93	12.35	25.57
Customer loans (gross)	5,211	6,018	7,375	5,515	3,978		47.80	56.20	62.55	63.22	53.25
All other loans	5,211	6,018	7,375	5,515	3,978		47.80	56.20	62.55	63.22	53.25
Customer loans (net)	5,211	6,018	7,375	5,515	3,978		47.80	56.20	62.55	63.22	53.25
Earning assets	10,389	10,001	11,104	8,385	7,089		95.30	93.40	94.18	96.11	94.90
Accrued receivables	0	0	0	143	129		0.00	0.00	0.00	1.64	1.73
All other assets	512	707	686	197	252		4.70	6.60	5.82	2.26	3.37
Total reported assets	10,901	10,709	11,790	8,724	7,471		100.00	100.00	100.00	100.00	100.00
Adjusted assets	10,901	10,709	11,790	8,724	7,471		100.00	100.00	100.00	100.00	100.00
							Breakdown as a % of liabilities + equity				
	2008	2007	2006	2005	2004		2008	2007	2006	2005	2004
Liabilities											
Total deposits	7,680	5,770	6,784	5,516	4,351		70.45	53.88	57.54	63.23	58.24
Core/customer deposits	7,680	5,770	6,784	5,516	4,351		70.45	53.88	57.54	63.23	58.24
Repurchase agreements	687	455	N.A.	N.A.	N.A.		6.30	4.25	N.A.	N.A.	N.A.
Other borrowings	863	2,513	2,912	1,458	1,185		7.92	23.47	24.70	16.71	15.87
Other liabilities	208	580	793	530	333		1.91	5.42	6.72	6.08	4.46
Total liabilities	9,439	9,318	10,489	7,504	5,869		86.58	87.01	88.97	86.02	78.57
Total shareholders' equity	1,462	1,391	1,301	1,220	1,601		13.42	12.99	11.03	13.98	21.43
Common shareholders' equity (reported)	1,462	1,391	1,301	1,220	1,601		13.42	12.99	11.03	13.98	21.43
Other equity	1,462	1,391	1,301	1,220	1,601		13.42	12.99	11.03	13.98	21.43

Table 1

Balance Sheet Statistics (cont.)										
Total liabilities and equity	10,901	10,709	11,790	8,724	7,471	100.00	100.00	100.00	100.00	100.00
Equity Reconciliation										
Common shareholders' equity (reported)	1,462	1,391	1,301	1,220	1,601					
Adjusted common equity	1,462	1,391	1,301	1,220	1,601					
Adjusted total equity	1,462	1,391	1,301	1,220	1,601					

N.A.--Not available.

Table 2

Profit and Loss Statement Statistics											
	--Year ended June 30--						Adj. avg. assets (%)				
(Mil. $)	**2008**	**2007**	**2006**	**2005**	**2004**	**-**	**2008**	**2007**	**2006**	**2005**	**2004**
Profitability											
Interest income	459	566	429	298	256		4.24	5.03	4.19	3.68	3.58
Interest expense	341	438	323	148	78		3.15	3.90	3.15	1.83	1.08
Net interest income	118	128	106	150	178		1.09	1.13	1.03	1.85	2.49
Operating noninterest income	36	15	13	9	16		0.33	0.13	0.13	0.11	0.23
Other noninterest income	36	15	13	9	16		0.33	0.13	0.13	0.11	0.23
Operating revenues	154	143	119	159	195		1.42	1.27	1.16	1.96	2.72
Noninterest expenses	38	47	33	39	35		0.36	0.42	0.32	0.48	0.50
Personnel expenses	25	26	26	25	23		0.24	0.23	0.25	0.31	0.32
Other general and administrative expense	11	19	4	11	10		0.10	0.17	0.04	0.14	0.14
Depreciation	2	3	3	3	2		0.02	0.02	0.03	0.03	0.03
Net operating income before loss provisions	115	95	87	120	159		1.07	0.85	0.84	1.48	2.23
Credit loss provisions (net new)	0	2	1	(2)	1		0.00	0.02	0.01	(0.02)	0.01
Net operating income after loss provisions	115	93	86	121	158		1.07	0.82	0.84	1.50	2.22
Pretax profit	115	93	86	121	158		1.07	0.82	0.84	1.50	2.22
Net income before minority interest	115	93	86	121	158		1.07	0.82	0.84	1.50	2.22
Net income before extraordinaries	115	93	86	121	158		1.07	0.82	0.84	1.50	2.22
Net income after extraordinaries	115	93	86	121	158		1.07	0.82	0.84	1.50	2.22
Core Earnings Reconciliation											
Net income (before minority interest)	115	93	86	121	158						
Core earnings	115	93	86	121	158		1.07	0.82	0.84	1.50	2.22
	2008	**2007**	**2006**	**2005**	**2004**						
Asset Quality											
Average customer loans	5,614	6,696	6,445	4,747	3,168						
Average earning assets	10,195	10,553	9,744	7,737	6,740						
Average assets	10,805	11,249	10,257	8,097	7,147						
Average total deposits	6,725	6,277	6,150	4,933	4,148						
Average interest-bearing liabilities	8,984	9,217	8,335	6,255	5,254						
Average common equity	1,426	1,346	1,260	1,411	1,533						
Average adjusted assets	10,805	11,249	10,257	8,097	7,147						

Table 2

Profit and Loss Statement Statistics (cont.)					
Other data					
Off-balance-sheet credit equivalents	0	607	0	0	0

Table 3

Ratio Analysis					
	--Year ended June 30--				
	2008	**2007**	**2006**	**2005**	**2004**
ANNUAL GROWTH (%)					
Customer loans (gross)	(13.41)	(18.40)	33.71	38.66	68.72
Adjusted assets	1.80	(9.17)	35.14	16.78	9.48
Customer deposits	33.11	(14.95)	22.99	26.77	10.31
Total equity	5.17	6.88	6.65	(23.80)	9.35
Operating revenues	7.72	19.42	(24.69)	(18.45)	17.68
Noninterest expense	(19.12)	44.43	(16.02)	10.48	(37.95)
Net operating income before provisions	21.10	9.93	(27.52)	(24.89)	47.02
Loan loss provisions	(100.00)	280.40	N.M.	(382.60)	N.M.
Net operating income after provisions	24.34	7.87	(29.18)	(23.40)	46.41
Pretax profit	24.34	7.87	(29.18)	(23.40)	46.41
Net income	24.34	7.87	(29.18)	(23.40)	46.41
	2008	**2007**	**2006**	**2005**	**2004**
PROFITABILITY (%)					
Interest Margin Analysis					
Net interest income (taxable equiv.)/avg. earning assets	1.16	1.21	1.09	1.93	2.64
Net interest spread	0.71	0.61	0.53	1.48	2.32
Interest income (taxable equiv.)/avg. earning assets	4.50	5.36	4.41	3.85	3.79
Interest income on loans/avg. total loans	4.62	5.55	5.03	4.82	6.15
Interest expense/avg. interest-bearing liabilities	3.79	4.75	3.88	2.37	1.48
Interest expense on deposits/avg. deposits	3.42	4.82	3.72	2.30	1.45
Revenue Analysis					
Net interest income/revenues	76.74	89.39	88.80	94.32	91.58
Noninterest income/revenues	23.26	10.61	11.20	5.68	8.42
Personnel expense/revenues	16.58	18.35	21.48	15.90	11.84
Noninterest expense/revenues	24.98	33.27	27.51	24.67	18.21
Noninterest expense/revenues less investment gains	24.98	33.27	27.51	24.67	18.21
Net operating income before provision/revenues	75.02	66.73	72.49	75.33	81.79
Net operating income after provisions/revenues	75.02	64.99	71.94	76.51	81.45
New loan loss provisions/revenues	0.00	1.74	0.55	(1.18)	0.34
Pretax profit/revenues	75.02	64.99	71.94	76.51	81.45
Core Earnings/Revenues	75.02	64.99	71.94	76.51	81.45

Table 3

Ratio Analysis (cont.)					
	2008	**2007**	**2006**	**2005**	**2004**
OTHER RETURNS					
Net operating income before LLP/LLP	N.M.	3833.09	13264.17	(6397.75)	24072.01
Net income before minority interest/avg. adjusted assets	1.07	0.82	0.84	1.50	2.22
Non-interest expenses/average adjusted assets	0.36	0.42	0.32	0.48	0.50
Core earnings/average adjusted assets	1.07	0.82	0.84	1.50	2.22
Core earnings/ Average ACE (ROE)	8.08	6.89	6.82	8.61	10.34
	2008	**2007**	**2006**	**2005**	**2004**
FUNDING AND LIQUIDITY (%)					
Customer deposits/funding base	83.20	66.03	69.97	79.09	78.59
Total loans/customer deposits	67.84	104.30	108.71	99.99	91.42
Total loans/customer deposits + long-term funds	56.99	84.05	91.21	81.88	66.83
Customer loans (net)/assets (adj.)	47.80	56.20	62.55	63.22	53.25
Parent Only Analysis					
	2008	**2007**	**2006**	**2005**	**2004**
CAPITALIZATION (%)					
Internal capital generation/prior year's equity	8.29	7.13	7.05	7.58	9.57
Adjusted total equity/adjusted assets	13.42	12.99	11.03	13.98	21.43
Adjusted total equity/adjusted assets + securitizations	13.42	12.99	11.03	13.98	21.43
Adjusted total equity plus LLR (specific)/customer loans (gross)	28.07	23.11	17.64	22.12	40.25
Common dividend payout ratio	0.00	0.00	0.00	0.00	11.58
	2008	**2007**	**2006**	**2005**	**2004**
ASSET QUALITY (%)					
New loan loss provisions/avg. customer loans (net)	N.A.	0.04	0.01	(0.04)	0.02

N.A.--Not available. N.M.--Not meaningful.

Ratings Detail (As Of January 9, 2009)*	
Government Development Bank for Puerto Rico	
Counterparty Credit Rating	BBB/Stable/A-2
Certificate Of Deposit	
Local Currency	BBB/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured (11 Issues)	BBB
Counterparty Credit Ratings History	
13-Dec-2007	BBB/Stable/A-2
22-May-2007	BBB-/Stable/A-3
21-Jul-2006	BBB/Negative/A-2
22-Mar-2006	BBB/Watch Neg/A-2
21-Oct-2005	BBB/Negative/A-2
24-May-2005	BBB+/Negative/A-2

Ratings Detail (As Of January 9, 2009)***(cont.)**	
11-Jan-2005	A/Negative/A-1
Sovereign Rating	
United States of America	AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.