

***P* R E S S R E L E A S E**

Contact : María S. Rosario

Tel: (787) 728-9200 / (787) 722-2525 exts. 2013 / 2014
Cel. (939) 644-4606 / www.gdb-pur.com



May 5, 2006

MOODY'S TO EVALUATE PUERTO RICO'S CREDIT

The Chairman of the Board of Directors of the Government Development Bank for Puerto Rico (GDB), Alfredo Salazar, announced today that due to the recent developments in Puerto Rico next Monday Moody's Investors Service, one of the municipal bond credit rating agencies, will hold a meeting of its credit committee to evaluate the particular case of Puerto Rico.

“Based on the conversations that we have had these past few days with Moody's representatives and on my experience of 40 years in the financial industry, I have to responsibly inform you that everything indicates that there are all the conditions necessary for our credit to be downgraded in that meeting if the budget crisis is not solved within the next 24 to 28 hours,” Salazar said.

Last Tuesday, Moody's published its most recent report on Puerto Rico stating the following:

- That if the impasse is not solved in a reasonable amount of time, there would be negative implications for our credit.
- The partial closing of the government is an unexpected event that reflects that the debate between the Executive and the Legislative Assembly on the fiscal and tax reforms is more intractable than has previously been represented in Joint Resolution 1177 of November 2005.

***P* R E S S R E L E A S E**

- The deficit for the current fiscal year had been anticipated for months and the alternative of authorizing a loan was the option to cover the expenditures.

“The results of Monday’s meeting are decisive to maintain the credit quality of our bonds. I urge the legislative leaders who have the opportunity to act fast before them, to do so without losing one more minute to avoid a downgrade,” Salazar said in reference to Moody’s report on the current situation of Puerto Rico.

Salazar will fight to New York on Sunday to be available when the case of Puerto Rico is revised. At this time our bonds have a Baa2 rating from Moody’s. If they are downgraded one notch, to Baa3, we would be at the lower end of investment grade ratings.

A downgrade would have serious effects on the economy and on Puerto Rico’s development. For the common citizen they would translate into a reduction of the basic services that should be provided by the state, such as transportation systems, water, roads, among others. Likewise, investment in the public sector will be seriously affected by a downgrade. Just to give an example, in the past 14 months we have issued over \$6 billion in bonds of the Commonwealth of Puerto Rico and its dependencies, which have entered our economy.

Bond issues are a mechanism used by the central government, public corporations and municipalities to finance the investment in permanent public works, such as highways, schools, parks, etc. The municipalities also use it to take care of the particular needs in their regions.

P R E S S R E L E A S E