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RECORD SAVINGS ATTAINED FROM THE PLACEMENT OF \$1.3 BILLION OF THE PUERTO RICO PUBLIC FINANCE CORPORATION

The Puerto Rico Public Finance Corporation (PFC) successfully placed \$1.3 billion in bonds in the U.S. tax-exempt market to refinance its debt, raising the total savings attained for the people of Puerto Rico in a the past three years to a record amount of \$1 billion, announced today Antonio Faría-Soto, president of the Government Development Bank for Puerto Rico.

“Once again the enthusiasm of investors with Puerto Rico bonds has made it possible for us to take advantage of the low interest rates offered by the market to continue saving money for our coffers,” said Faría-Soto. “Especifically this issue generated savings of over \$95 million at present value to agencies that finance their public work throught this GDB subsidiary,” he added.

With this PFC issue we were able to reach our goal of saving a total of \$200 million with the three bond issues sold during the las 45 days—PFC, PBA and GO’s.

“This issue takes place after one of the credit rating agencies that evaluate the Commonwealth’s credit, Moody’s Inverstors Service, improved PFC’s rating from Baa3 to Baa2. This increment translated into a lower interest rate for the Central Government,” expressed Faría-Soto.

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“The yield for the bonds placed today was fixed in 1.95% for the local market in the case of the shortest maturity for 2005, and in 5.80% in the case of the longest maturity, which is due in 2029”, explained Hugo Díaz-Molini, GDB Executive Vice President and Treasurer. Also, he added that for the transaction placed in the U.S. market, the insured portion had a 4.10% yield and the uninsured portion closed with a 4.48% yield.

The transaction had an excellent acceptance, particularly the uninsured portion, which evidences the preference investors have for Puerto Rico bonds,” said Hugo Díaz-Molini, Executive Vice President and Treasurer.

In addition to Moody’s rating, PFC (the PFC issue) received a “BBB+” rating from Standard & Poor’s (S&P). The portion placed in the U.S. exempt market was managed by Lehman Brothers and Santander Securities as leading managers, with Morgan Stanley jointly with Popular Securities and JP Morgan Securities with RG acting as senior comanagers of the transaction.

The local portion of the issue, \$137 million placed in the local market, was managed by Santander Securities, together with Oriental Financial Services and Popular Securities.
