

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



March 22, 2006

STANDARD & POOR'S PLACES COMMONWEALTH RATING ON CREDITWATCH

The Chairman of the Board of Directors of the Government Development Bank for Puerto Rico (GDB), Alfredo Salazar, announced today that Standard & Poor's (S&P) placed the BBB rating of the Puerto Rico bonds on CreditWatch, with negative implications.

This S&P action is another word of warning that joins the one sent by Moody's in its February 27 report when it placed Puerto Rico's credit on its Watch list for possible downgrade," Salazar said.

"Once again what we have been saying during the last months that the solution for Puerto Rico's fiscal situation is the approval of legislation enabling the increase in revenues and the control of public spending is confirmed," Salazar stated when commenting on the S&P report, which states the need to reach an agreement on the tax and fiscal reform to balance the budget of the central government for fiscal year 2007, which begins in July 2006.

In this regard, "I am pleased with the progress we have seen in the public discussion of the tax reforms and with the proposals presented by the House and the Senate, conscious of our commitment to approve a fiscal reform", Salazar said.

This S&P report, as indicated by credit analyst Ken Gear, states that the CreditWatch placement reflects a persistent structural deficit and a weak liquidity position with an increasing dependency on using GDB loans to cover cash flow shortfalls in the central government.

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

The approval of a sales tax is the most efficient way to increase revenues, as the S&P report states, and the control of public spending is necessary, particularly in those areas where uncontrolled spending is evident, such as education, health services and safety.

The main concern of the rating agencies, as S&P states in its report, is that there be the political will for the Executive and the Legislative powers to reach an agreement resulting in the approval of a tax and fiscal reform that stabilizes the Island's finances.

In that regard, Salazar commented "I reiterate my conviction that both reforms will be approved before June 30."

Placing the credit on CreditWatch means that eventually the rating agency will issue a final decision on whether it decides to reduce the rating of the Puerto Rico bonds or maintains their current BBB rating.

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