

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

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May 17, 2006

GDB ISSUES \$810 MILLION IN NOTES TO INCREASE ITS LIQUIDITY

The Government Development Bank for Puerto Rico (GDB) issued today \$810 million in short term notes to obtain funds at a longer term and continue strengthening its liquidity to serve the demand for lines of credit from the agencies and public corporations as part of its working agenda for the current fiscal year, the chairman of the Board of Directors, Alfredo Salazar, announced today.

“With this issue we provide the GDB with a new more stable source of capital because the maturities for the notes are of up to 13 years, hence, decreasing the Bank’s dependency on short-term commercial paper to finance its loan portfolio.” Salazar said. “Taking advantage of the GDB’s financial solvency, we decided to place these notes in the U.S. capital market, which allows financing at lower costs, hence complying with our goal of diversifying the Bank’s sources of capital,” he added.

The Bank has been working on this transaction for several months and it was executed now because at this time market conditions are favorable to place the notes at a reasonable cost, even after Moody’s downgrade of last week.

Last week’s action by Moody’s of downgrading by one notch the Commonwealth’s credit, including GDB’s, did not stop demand for our notes in the United States exempt market,” the GDB executive said with enthusiasm. In that sense, he commented that the issue was two times oversubscribed, which confirms the demand for our paper. The spread between the issue and the Municipal Market Data triple-A yield curve (MMD), the top-rated municipal bonds yields, was 55 basis points in average.

The issue was rated Baa3 by Moody’s and BBB by Standard & Poor’s, which was a divided rating.

The note issue was structured in two series. Series 2006B was for \$752 million and Series 2006C was for \$70 million. Goldman Sachs & Co. and Lehman Brothers were the senior managers.

The notes have a 4.16% yield for the shortest term—2008— and 4.71% for the longest—2017, with an average life of 5 years. The net interest cost was 4.56%. The issuance of short term notes is a financial strategy characterized by having a fixed interest and longer term maturities resulting in a more stable investment than commercial paper.