

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.gdbpr.com



STANDARD & POOR'S RAISES CREDIT RATING

FOR THE GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

December 13, 2007 - Standard & Poor's (S&P) has raised its counterparty credit rating on the Government Development Bank for Puerto Rico (GDB), reflecting GDB's improved liquidity and strengthened capital base and balance sheet, as well as the improvements in the fiscal management of the Central Government, it was announced today by GDB President Jorge Irizarry.

S&P upgraded the rating to BBB for long term obligations and to A-2 for short term obligations, both with a stable outlook. Previously, the ratings were BBB- and A-3. In its report, S&P states as reasons for this upgrade the fiscal control measures implemented, such as legislation that limits the purposes for which the government can request loans from GDB, and establishment of the Dedicated Sales Tax Fund for the repayment of the appropriations debt, including the loans from GDB, which previously had no specified source of repayment. The fund receives revenue from a dedicated 1% sales tax.

"This news is very important because it is the first GDB credit to be upgraded since 2005," Mr. Irizarry explained. "Once the rating agencies establish a stable outlook, as they did in recent months, there is the possibility for an upgrade, and that is what we have seen today in GDB's case."

"This action establishes a new positive trend in the ratings of Puerto Rico's credits," he added. "It reaffirms the importance of the Commonwealth continuing to enforce discipline in managing its debt, including loans from the GDB, while reflecting

that the government is responsibly paying what it owes to GDB. If that were not the case, our credit rating would be affected.”

In fiscal year 2007, GDB made concerted efforts to reduce its loan exposure to the Commonwealth and reduce its loan portfolio by more than \$3 billion as compared to the loans in the portfolio as of June 30, 2006. In July 2007 the Bank received \$1.7 million in loan payments due to the sale of \$4 billion in bonds by the Puerto Rico Sales Tax Financing Corporation (COFINA, by its Spanish acronym), payable in 50 years, which received an A+ rating. With this transaction, GDB began to repay the outstanding appropriation debt as a first step to extinguish the nearly \$7 billion total debt accumulated as of June 30, 2006.

The stable outlook assigned reflects S&P’s expectation that the GDB will continue to retain most of its net earnings, which should benefit its capital base.

As of July 30, 2007, the GDB had \$10.2 billion in total assets and its loan portfolio had been reduced from \$7.37 billion to \$4.18 billion. The investment portfolio increased from \$3.8 billion in June 2006 to \$5.6 billion in June 2007. “These changes in the asset composition provide great liquidity to the GDB, which is evidenced in this rating upgrade,” Mr. Irizarry noted.

Mr. Irizarry concluded, “This rating improvement acknowledges GDB’s financial strength as well as the reduced dependency of the Central Government on GDB loans, since it has kept its loan portfolio under 50% of its total assets. This is the result of the financial and fiscal strategy that has been implemented in the Central Government and by GDB’s Board of Directors since fiscal year 2007.”
