PRESS RELEASE
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STANDARD & POOR'S REMOVES PUERTO RICO'S CREDIT FROM CREDITWATCH

Standard & Poor's (S&P) credit rating agency removed its ratings on the GO's and related debt of the Commonwealth of Puerto Rico from CreditWatch with negative implications, where it was placed in March, announced today the chairman of the Government Development Bank for Puerto Rico Board of Directors, Alfredo Salazar.

"With this decision by S&P we begin to recover the confidence in the credit of Puerto Rico", Salazar said enthusiastically. In this regard, S&P highlights in its report that the removal of the CreditWatch reflects the recent approval of a 7% sales tax and the adoption of a $9.488 billion budget that is expected to drastically reduce the Commonwealth's structural deficit starting in fiscal 2007, and fully eliminate the structural deficit by the end of fiscal 2009.

"This encouraging determination by S&P puts an end to the uncertainty of having a negative credit watch over our credit and allows us to go to the market on August 2nd with our BBB rating a issue $675 million in Commonwealth General Obligation Bonds", Salazar said.

The funds raised from the issue will be used to move forward important public works projects such as the canalization of rivers, improvements to roads and schools, construction of recreational and health facilities throughout all the municipalities. In this regards Salazar stated: "I have instructed our Municipal Financing Division to speed up the process to disburse these funds as soon as possible to the mayors so that they can complete their construction projects and begin new works that will reactivate our economy".

"Today we took the first step in our objective of improving our credit rating, i.e., having the credit removed from the list of credits in CreditWatch with negative implications. Now we will concentrate our efforts in achieving a change in the medium term negative outlook we now have, which we intend to change to stable once we show progress in restructuring the fiscal health of our country. Eventually we will achieve an upgrade from BBB to BBB+," sustained Salazar in reference to the S&P report that states that a trend of continued economic growth that is conducive to the expansion of private sector employment, can positively impact the rating, assuming the Commonwealth achieves structurally balanced budgets.

To this end, Salazar stated that the government, having already approved legislation providing for a tax system that will stabilize the revenues of the state, will implement a restructuring plan in all the agencies to control public expenditures.

This S&P determination occurs after the Governor's economic team—Chief of Staff Jorge Silva Puras, Secretary of the Treasury Juan Carlos Méndez, and GDB Board Chairman Alfredo Salazar—met last Friday with the credit analysts of the two rating agencies that evaluate Puerto Rico's credit, Standard & Poor's and Moody's.

"This also confirms what I said last Friday after our meeting with the rating agencies, that this is the opportunity we were waiting for to begin recovering the confidence of our bond buyers and finally put an end to Puerto Rico's financial problems", the GDB president concluded.