

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

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S&P REAFFIRMS GOVERNMENT DEVELOPMENT BANK'S INVESTMENT GRADE RATINGS, WITH STABLE OUTLOOK

Credit Agency Cites Bank's Strong Capital Ratio, Quality Loan Portfolio, Liquid Securities Portfolio, Access to Capital Markets and Continued High Profitability

SAN JUAN, P.R. – The Government Development Bank for Puerto Rico (GDB), reported today that Standard & Poor's Rating Services (S&P) has reaffirmed the bank's investment grade credit ratings of "BBB/A-2", with a stable outlook. In a report released on January 27, 2011 S&P highlighted GDB's "strong capital ratios, high-quality loan portfolio, large and very liquid securities portfolio, and demonstrated access to the capital markets."

"We at GDB are pleased with this very positive action and favorable review of our bank by S&P," said Carlos M. García, President and Chairman of the Board. "The report speaks to our bank's commitment to high fiscal standards and our consistently strong, profitable performance. Like many public institutions, GDB is dependent on the goodwill and support of investors. Given current market conditions this reaffirmation of our financial strength by a leading independent credit agency is welcomed recognition of our bank's achievements, as is the significant progress we are making locally in revitalizing Puerto Rico, both from a fiscal and economic point of view."

Since Governor Luis Fortuño took office in January 2009, the Administration has embarked on implementing a fiscal and economic reconstruction plan whose success has resulted in the reduction of the largest proportional budget deficit of any state, from 44% of revenues to 11% of revenues in two years and the reduction of 20% of governmental expenses.

The efforts of the Administration have been recognized by the rating agencies as follows:

- COFINA (Senior lien): Upgraded from A to AA- (S&P) and from A1 to Aa3 (Moody's) on May 2009.
 - Puerto Rico Government Obligation Bonds recalibrated by Moody's from Baa3 to A3, the highest rating in 35 years.
 - Outlook revised by S&P from stable to positive in December 2010, the first positive rating action in record since 1983.
 - Initial rating by Fitch of BBB+ in January 2011.
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Among the points noted by S&P about GDB, were the following:

- Maintenance of a high-quality loan portfolio, with relatively low credit risk reflecting that the majority of borrowers – primarily Puerto Rico government agencies, municipalities and a variety of public entities -- have investment grade ratings. “Illustrating its strong loan performance, GDB has never experienced a loss on a loan to a public entity,” S&P stated, with less than 1% of total loans in nonaccrual status.
- Consistent profitability in recent years, with GDB’s annual net income of around \$90 million.
- Strong liquidity, with a stable deposit base. The securities portfolio consists primarily of high quality government agency securities and money market investments.
- Demonstrated ability to access the capital markets at very attractive terms, reflecting strong financial flexibility.

The credit rating agency also noted that GDB’s role as fiscal agent for the Commonwealth and its responsibility for promoting economic development in Puerto Rico causes S&P to expect a continuing focus on maintaining the bank’s strong financial position.

About The Government Development Bank for Puerto Rico

Ever since the GDB was founded in 1942, the agency has played a key role in helping finance Puerto Rico’s economic infrastructure projects. A one of a kind institution, the GDB is in charge of developing financial strategies for the Commonwealth and all government agencies. The GDB’s development and diversification is directly linked with Puerto Rico’s history and evolution. Today, the GDB, its subsidiaries and affiliates, directly contribute with the financial structuring for infrastructure, housing, municipal, education and health related projects and helping develop job-creating industries in Puerto Rico.

A copy of this S&P ratings report on GDB can be found at www.bgfpr.com.

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