

# P R E S S   R E L E A S E

*For immediate release*

CONTACT: ANA MARÍA GREGORIO

Tel. (787) 728-9200 • (787) 722-2525 exts. 2013 and 2014

Cel. (787) 415-1231 • [ana.m.gregorio@bgfpr.com](mailto:ana.m.gregorio@bgfpr.com) • [www.gdbpr.com](http://www.gdbpr.com)



April 21, 2010

## **Puerto Rico Bonds Safe from Junk Status Danger**

*Moody's recalibration increases Central Government Bonds rating to the "A" scale*

**SAN JUAN, P.R.-** Carlos M. García, president of the Government Development Bank for Puerto Rico (GDB), reaffirmed today that Moody's and Fitch credit rating agencies recalibrated their rating scales for municipal debt and Puerto Rico's principal government credits received improvements in their ratings from both agencies. "It is indeed an achievement that Puerto Rico's credit has attained the highest rating since 1975 from Moody's rating agency. This agency had the discretion of raising Puerto Rico's credit by only one or two steps, but it chose to raise it three steps, the maximum possible. This is an unquestionable achievement for Puerto Rico, since we, along with California, were the winners in this recalibration process with a three-step increase in our credit rating," García said.

In the recalibration made by Moody's, our Central Government bonds obtained an "A3" rating, which represented the highest upgrade adjustment among all states. Not all states received an upgrade adjustment from their recalibration. "During the past year, we worked very hard to put the house in order. The Fiscal Reconstruction Plan has restored the confidence of investors and rating agencies. When our Administration took office in January 2009, the spread between the cost of our central government credit and the U.S. municipal credit index was 250 base points (near to the spread of junk bonds); currently the spread between them is just 32 base points. This is another concrete and unquestionable achievement that has resulted from the good and disciplined management practices of this Administration," the GDB president pointed out.

García explained that for years the market has called for the use of more comparable standards of rating scales for both the municipal and corporate sectors. "Previously, Moody's rated municipal issuers based on a unique scale that evaluated the issuer based on its financial condition; however, in enforcing the change to the *Global Rating Scale*, this scale focuses on the expectation of loss, that is, on what would be the real probability of payment default and the losses caused by such default. By granting us the maximum three-step increase in rating, from "Aaa3" to "A3", Moody's acknowledges the work we have been doing to put the Island finances in order and our commitment to fully comply with our plan and to service our debt obligations," García said.

---

“This change is beneficial to Puerto Rico because it expands our investors’ base, both for retail and institutional investors, which results in a greater demand for our bonds. This could represent savings for Puerto Rico of over \$300 million during the term of the financing and refinancings in schedule for the next 12 months. It is time to be united, acknowledge our achievements, and work together as a team because there is still much to be done,” García concluded.

###