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GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO
COMMONWEALTH OF PUERTO RICO

PRESS RELEASE

GOVERNMENT DEVELOPMENT BANK OPENS FIRST CREDIT CONFERENCE AIMED AT PUERTO RICO'S FISCAL RECONSTRUCTION

SAN JUAN (February 19, 2009) – Carlos M. García, Government Development Bank (GDB) President and GDB Board of Directors Chairman opened the 2009 Puerto Rico Credit Conference *The Road Toward Economic and Fiscal Reconstruction*. The Credit Conference will take place today and tomorrow, February 19 and 20, at the Puerto Rico Museum of Art, in Santurce. This event has the objective of establishing an open and transparent dialogue with the community of investors during a period when Puerto Rico goes through a budget deficit, as a result of many years during which government spending has exceeded its revenues.

“Puerto Rico faces a serious challenge that we should all be aware of: We face a deficit of no less than \$3.2 billion and a very weak economy that will not by itself bring us out of the mire we are in. This fiscal situation, combined with the extended recession Puerto Rico has been going through, puts at risk the stability of Puerto Rico’s credit, an issue that has been worrying our local and U.S. investors. In the past, Puerto Rico had unlimited access for financing in the bond market, but the Island has used up all its easy options. If we choose not to address the deficit issue in a sensible manner, the cost will be catastrophic for everyone living in the Island,” the GDB President said.

Puerto Rico faces the following immediate challenges:

- An economy that’s been 3 years in recession and requires stimulus
- An estimated structural deficit of no less than \$3.2 billion in fiscal year 2009¹
- Debts without sources of repayment (extra constitutional debt²)
- Excess of recurring expenditures with respect to recurring revenues

¹ Structural deficit is the gap between the Central Government’s recurring revenues and recurring expenditures. This deficit occurs when recurring expenditures surpass recurring revenues, and create a cumulative deficit in the Government’s General Fund.

² The extra constitutional debt is the debt that originates from credit lines, advances from future budgets and legislative appropriations. These sources of credit are not contemplated in the debt established by the Constitution, which is limited by specific parameters (the level of debt allowed by the Constitution is 15% of the average annual net revenues of the immediate previous two years). The government assumed the extra constitutional debt over the years in order to cover operational deficits and this debt does not have identified sources of repayment.

- Pressing need to protect Puerto Rico's credit rating

Given what can be described as a state of fiscal emergency, Puerto Rico is focused on stabilizing its public finances in order to restore economic growth and ensure a favorable credit rating that allows it to carry out strategic investments for the future. The government is already taking the necessary steps to cut the government spending. The Governor of Puerto Rico, Luis Fortuño, has ordered a reduction of 10% of operational expenditures to all government agencies. He has requested that appointed positions be reduced by 30%. And he has asked government agencies to reduce unnecessary expenses, such as cellular phones, the use of credit cards and official vehicles, among others. In addition, the Governor is finalizing details regarding the implementation of the Local Stimulus Plan and President Barak Obama's Federal Stimulus Plan.

The goal is to be able to offer a plan to the citizenry that offers measures of fiscal discipline and economic stimulus that, combined, allow for a sustained economic expansion.

The Puerto Rico Credit Conference

The Credit Conference provides an important opportunity for Puerto Rico and, in particular, for the new administration's economic team, to communicate their vision and the steps that will be taken to begin the Island's fiscal and economic reconstruction. "There is nothing worse than uncertainty for investors and for Puerto Rico's credit", García indicated. "We understand the concern among those who put their trust in Puerto Rico and that is precisely what we are addressing in a responsible fashion in this Conference."

The Conference includes subjects of importance to the economic future of Puerto Rico. During the first day of the conference, the following topics will be covered: the implementation of the federal and local economic stimulus for the future and the benefits of public-private partnerships. On the second day, the subjects include: new approaches to the government budgetary process; tax compliance and collection measures; fiscal and financial measures; challenges regarding Puerto Rico's credit rating; and investors' expectations regarding Puerto Rico.

The Government Development Bank for Puerto Rico will make available all the presentations related to the Credit Conference on its website for the benefit of those who are not able to attend the event. The GDB website address is www.bgfpr.com.

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Government Development Bank for Puerto Rico

Government Development Bank for Puerto Rico is an institution with a long record of achievement and 68 years of history dedicated to being the bank, fiscal agent and financial advisor of the Commonwealth of Puerto Rico and its instrumentalities. Its mission is to safeguard the fiscal stability and promote the economic development of Puerto Rico. For more information about the Government Development Bank for Puerto Rico, please visit <http://www.gdbpr.com>