

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

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GDB PRESIDENT REPORT ACHIEVEMENTS OF LAST FOUR YEARS

The president of Government Development Bank for Puerto Rico (GDB), Antonio Faría-Soto, highlighted the goals achieved during the last four years, stressing the recovery of the public corporation's liquidity and financial stability.

"During these past four years we managed to recover the liquidity and financial stability of GDB, the fiscal agent and financial advisor of the Government and its instrumentalities, which we consider this government agency's most important achievement during this Administration," Faría-Soto said. In this regard, he stated that the Bank's total assets increased from \$6.9 billion in December 2000 to \$9.2 billion in June 2004, which represents a 33% increment.

In term of loans, GDB granted a total of \$4.18 billion as of June 2004, compared to \$3.58 billion granted during the four years ended December 2000, which represents a 16.7% increase. Likewise, net income reached \$154 million in the fiscal year ended June 2004, up 81% from the \$85 million net income for fiscal year 2001. The Bank's capital had climbed to \$2.3 billion by the end of FY 2004 from \$1.7 billion at the end of FY 2001, which represents a 36% increment.

GDB's president made these comments during his presentation at the hearings held by the Transition Committee, as required by Act No. 197 that regulates the transition process for of the Government of the Commonwealth of Puerto Rico.

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“In January 2001 we had to deal with a serious liquidity situation in the Bank caused by the issuance to government dependencies of excessive debt without proper sources of repayment. To fix this situation, we refinanced \$1.6 billion in debt through the Public Finance Corporation, as by the Legislative Assembly (Act 164 of December 17, 2001). This initiative resulted in significant savings for the General Fund and stabilized the Bank’s finances, Faría-Soto explained.

In terms of financings, GDB issued a total of \$26.6 billion in bonds, of which \$17.2 billion (64.6%) was new money channeled to finance the government’s capital improvements program, which has a significant impact on economic growth and job creation. Of the total amount issued, \$9.39 billion were used to refinance existing debt, thus generating \$1.09 billion in present value savings for the central government and its corporations.

On the other hand, the success in safeguarding the credibility and sound credit of the Commonwealth of Puerto Rico and its instrumentalities is evidenced by achievement that include Standard’s & Poor’s (S&P) lifting of the credit watch it had placed on the Commonwealth credit. Recently, S&P and Moody’s reaffirmed the central government debt’s rating of A- and Baa1, respectively.

Likewise, Moody’s upgraded the Puerto Rico Electric Power Authority’s rating from Baa1 to A3 for the first time in twenty years. It also improved the rating assigned to Public Finance Corporation from Baa3 to Baa2. In addition, Moody’s upgraded the rating to the Ports Authority from Ba2 to Baa3. This will allow the Authority to once again issue bonds to finance its capital improvements program.

As fiscal agent and financial advisor, GDB has handled the Central Government's public debt prudently and responsibly during the last four years. On this subject, the president stressed that "at the closing of fiscal year 2004 the margin available to cover additional debt service was 5.8%".

Municipal financing remains a priority for GDB. The municipalities have received financing totaling \$1.2 billion for capital improvements, acquisition of equipment and to cover operational needs during these four years. On the other hand, the Bank approved \$42 million in new private financing. Faría-Soto also emphasized GDB's role as facilitator of economic development. The tourism sector benefited from financings approved through the Puerto Rico Tourism Development Fund with guarantees and loans for \$163 million for the rehabilitation and development of new hotels that will increase the present total room inventory of the Island by 1,200 rooms.

AFICA served a conduit to finance \$395 million in projects that will promote development and job creation in the private sector.

The Bank's official highlighted the completion of the Coliseo de Puerto Rico José Miguel Agrelot. In 2000 the construction phase for this project was 40% complete; thereafter we managed to sort out the difficulties encountered and successfully take it to completion for the enjoyment of all Puerto Ricans.
