

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

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MOODY'S PLACES PUERTO RICO'S CREDIT RATING IN WATCHLIST FOR A POSSIBLE DOWNGRADE

The Chairman of the Board of Directors of the Government Development Bank for Puerto Rico (GDB), Alfredo Salazar, announced today that Moody's Investors Service placed the Baa2 rating of the bonds of the Commonwealth of Puerto Rico in its Watchlist for review and possible downgrade no later than in mid-July.

"This action by Moody's confirms the pressing urgency of our efforts to achieve a true tax and fiscal reform to straighten the government finances to enter in force in July 2006," Salazar said in reference to Moody's analyst Timothy Blake's comment to the effect that "this action reflects the Commonwealth's strained fiscal condition."

The analyst also indicates that although the government continues to debate fiscal and tax reforms and intends to pass legislation on both fronts by the end of June, they still do not know whether the actions to be taken will be of a sufficient magnitude to achieve a degree of credit stabilization consistent with the current rating level.

Placing a credit rating on the Watchlist means that eventually the rating agency will issue a final decision on whether it downgrades the rating of our bonds or maintains our current Baa2 rating.

In the report, the analyst emphasizes that the credit review will take into consideration the economic trends and budget for the remaining of fiscal year 2006, as well as the political feasibility of the fiscal 2007 budget proposal and the results of the fiscal and tax reform debates currently underway as possible causes for a change in rating.

“We will continue working towards our goal of strengthening the Government’s finances of the Government. Today, it is important that we realize that we must urgently define the measures that the Commonwealth will take to take care of the situation, since the rating agencies will continue to monitor our determinations. We must focus our efforts on continuing the work to define a broad-based fiscal and tax reform,” GDB’s Acting President said.

“I have no doubt that if we work together for the benefit of Puerto Rico we will be able to avoid a downgrade of our credit,” Salazar concluded.