PRESS RELEASE

For immediate release

GDB Contact: Betsy Nazario
(787) 960-2089

Treasury Contact: Eva Lizardi
(787) 248-8151

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO
COMMONWEALTH OF PUERTO RICO

March 20, 2013

AS ANTICIPATED, FITCH BRINGS PR'S CREDIT RATING TO THE SAME LEVEL AS MOODY'S AND S&P'S RATING

Once again, the high structural deficit of the current fiscal year is the main reason for the rating change, but Fitch recognizes the current administration's focus on a heightened fiscal responsibility. Fitch also recognizes that the Pension Reform will be a contributing factor in stabilizing the credit.

San Juan, PR – Fitch, one of the three agencies that rate Puerto Rico's credit, brought today Puerto Rico's rating to the same level as S&P's and Moody's rating, when it lowered Puerto Rico's general obligation bonds (GOs) to BBB- from BBB+, the lowest rating level considered investment grade, i.e., one level above non-investment grade or "junk" status.

In the report, Fitch recognized the affirmative steps this administration is taking to restructure finances; among these, the report emphasized the measures that have already been taken to close the budget gap, the "substantial changes" to the Retirement System, as well as revenue-enhancement and expense-reduction measures. However, as in S&P's case, although Fitch recognizes some progress, the decision to lower the rating is driven by the high budget deficit of FY2013.

Government Development Bank for Puerto Rico (GDB) President Javier D. Ferrer and Treasury Secretary Melba Acosta Febo explained that Fitch's decision was foreseeable because rating agencies usually tend to give ratings that are close to one another and because Fitch, whose rating was higher than that of the two other agencies, had placed Puerto Rico's credit in rating watch negative as recently as February 21, 2013.

"As we have said before, the economic problems of the Island that have been building up over decades cannot be solved in two and a half months. The rating agencies have given us the time and space we need to implement our strategies. The time has come to grow as a country and together get the necessary measures under way. It's time to stop looking at this issue as one affecting specific interests or groups and understand that what's at stake here is Puerto Rico's future development," the GDB President stated.

Ferrer emphasized that Puerto Rico does not deserve to have its credit downgraded to junk level and he remains very hopeful that this won't happen. He stated that in order to avoid a downgrade, among other actions, the Pension Reform needs to be enacted as soon as possible; we need to enhance revenue collections and balance the budget, while making the economy grow. "Most of what needs to be done to save our finances is in our hands. We can do it but we must take actions; the time for talk is over," he indicated.

In addition, Melba Acosta pointed out that the measures implemented by the present administration have already reduced the budget gap with respect to revenues by approximately $250 million and the necessary measures are being taken to reduce the $140 million excess in expenses. Recently released net revenues for February reflected revenues above the $110 million budget as a result of the measures taken by this administration. She also stated that the economic team is working with a sense of heightened urgency on revenue-enhancement initiatives, including, tax-evasion measures and a tax amnesty, the elimination of a number of sales and use tax payment exemptions, as well as changes to other revenue mechanisms.

###