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S&P Affirms UPR Bonds Classification and Positive Outlook

SAN JUAN, P.R.- Government Development Bank (GDB) President Juan Carlos Batlle and University of Puerto Rico (UPR) President Doctor Miguel Muñoz announced that Standard & Poor's (S&P) affirmed today the "BBB-" rating of the UPR bonds, Series P, Q and O with a stable outlook.

The report highlights the UPR's commendable work stabilizing the university system's finances during the last two years. S&P points out that the UPR administration had reported the deficit would last until 2013. However, the UPR was able to overcome the deficit in only two years. In its progress report, the UPR administration attributed this accomplishment to the measures for reducing operating expenses—which were more effective than initially projected—to increased tuition revenues, and to the GDB, which, through an agreement, provided support in stabilizing the credit of the UPR.

The S&P report highlights, among other positive items, that in 2011 the Middle States Commission on Higher Education affirmed, in record time, the UPR's accreditation, after putting ten out of eleven units on probation. The probation was declared as a result of the interruption of operations in these units for 62 days due to student unrest in 2010. S&P points out that the outlook on UPR bonds is stable because it is projected that during the next two years the student demand for the UPR will remain stable and the institution will continue with the present fiscal stabilization plan, thus improving its net assets. In terms of the "BBB-" classification, the report explains that given the high dependency of UPR revenues on the Government of Puerto Rico (60%), the one notch difference between the central government rating and the UPR rating is considered appropriate. At the same time, S&P indicated that it wishes to continue observing the positive results of the UPR's fiscal stabilization plan on a longer term basis.

"We believe that by affirming the classification of the UPR bonds and stable outlook, S&P is recognizing the work we've done at the UPR, with the GDB's support. We are committed to maintaining the fiscal prudence that has characterized us since 2009 in order to guarantee and safeguard compliance with the mission of our first educational institution, the principal motor of Puerto Rico's economic development." Muñoz stated.

"Through this rating action, S&P confirms that the work of the UPR team, with the support of the GDB, is going in the right direction. Both teams have joined to seek efficiencies, cut down expenses and restore the fiscal health of the university system. It is extremely important to continue with the work

plan and maintain stability in the UPR finances for the benefit of future generations of professionals of our Island,” Batlle concluded.

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