

PUERTO RICO
CREDIT
CONFERENCE
— 2010 —

—A YEAR INTO THE—
ECONOMIC & FISCAL
RECONSTRUCTION

FEBRUARY 25-26, 2010



Government Development Bank For Puerto Rico

Carlos M. García
Chairman & President

February 25, 2010



Disclaimer

Today's presentation includes certain statements that are not historical in nature. These statements are based on the Government Development Bank's current beliefs regarding future events, and are based upon a number of estimates and assumptions that are subject to significant uncertainties, many of which are outside the control of the Government Development Bank for Puerto Rico, the Government of Puerto Rico and its agencies and instrumentalities. This presentation has been prepared solely for informational purposes, and should not be construed as a recommendation to buy or sell any security or to participate in any particular trading.



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Institutional Profile

(\$ in Billions)

Financial Highlights	
Total Assets	12.8
Total Liabilities	11.1
Total Capital	1.7
Credit Rating	BBB/Stable
Total Capital Ratio	17.0%
Tier 1 Capital Ratio	16.9%
Tangible Common Equity Ratio	13.7%

Senior Management	
Carlos M. García	President
Fernando L. Batlle	EVP - Financing & Treasury
Jesús F. Méndez	EVP - Operations & Administration
Jorge A. Rivera, Esq.	EVP - General Counsel

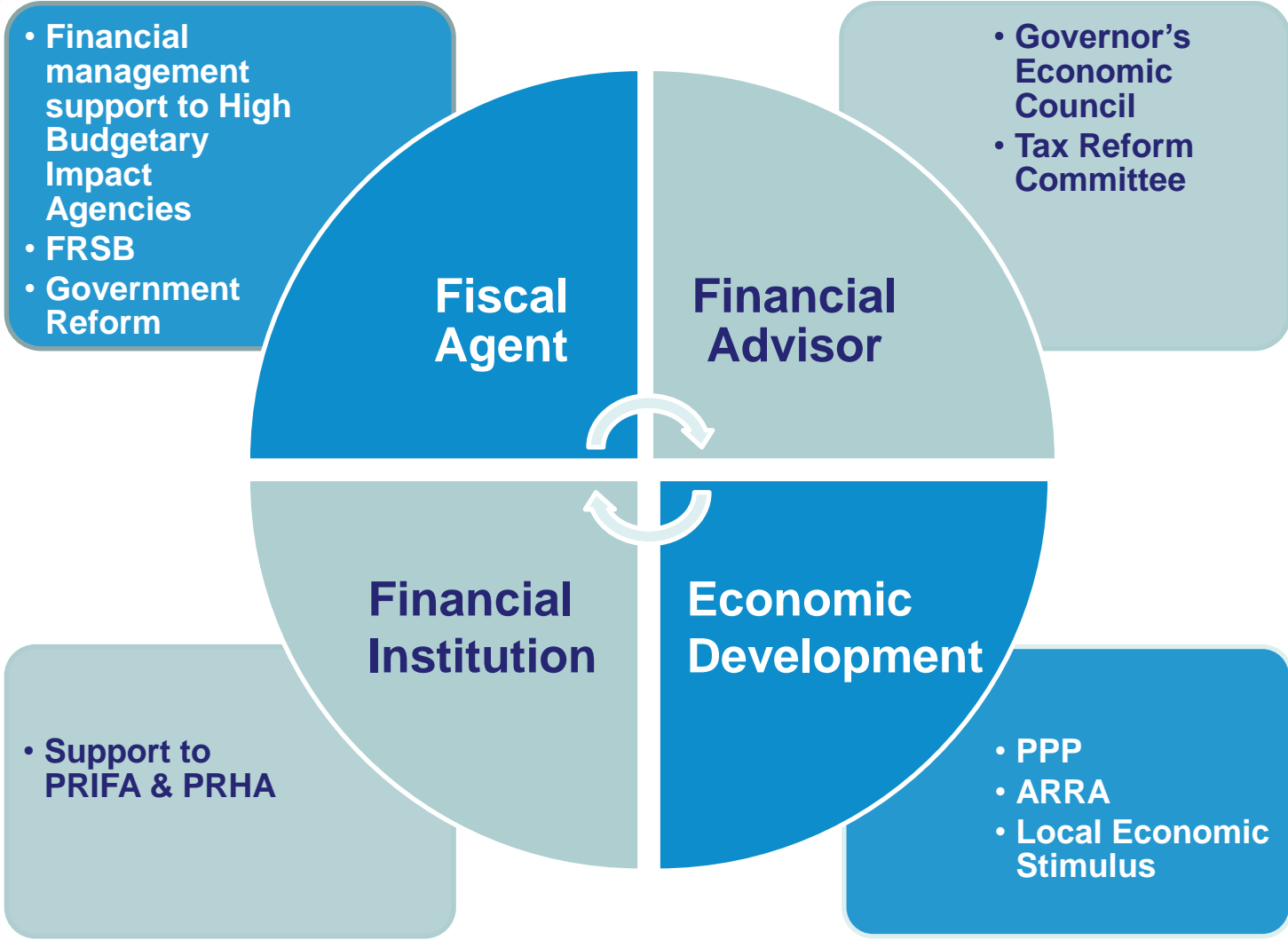
Board of Directors	
Carlos M. García	Chairman
Marcos Rodríguez Ema, Esq.	Director – Public
Manuel H. Dubón, Esq.	Director – Private
Juan E. Rodríguez Díaz, Esq.	Director – Private
Agnes Suárez, CPA	Director – Private
Pedro Ray, PE	Director – Private
Ángel A. Fullana, PE	Director – Private

Data: As of 12/31/2009 (GDB Only)

¹ Data as of 6/30/3009



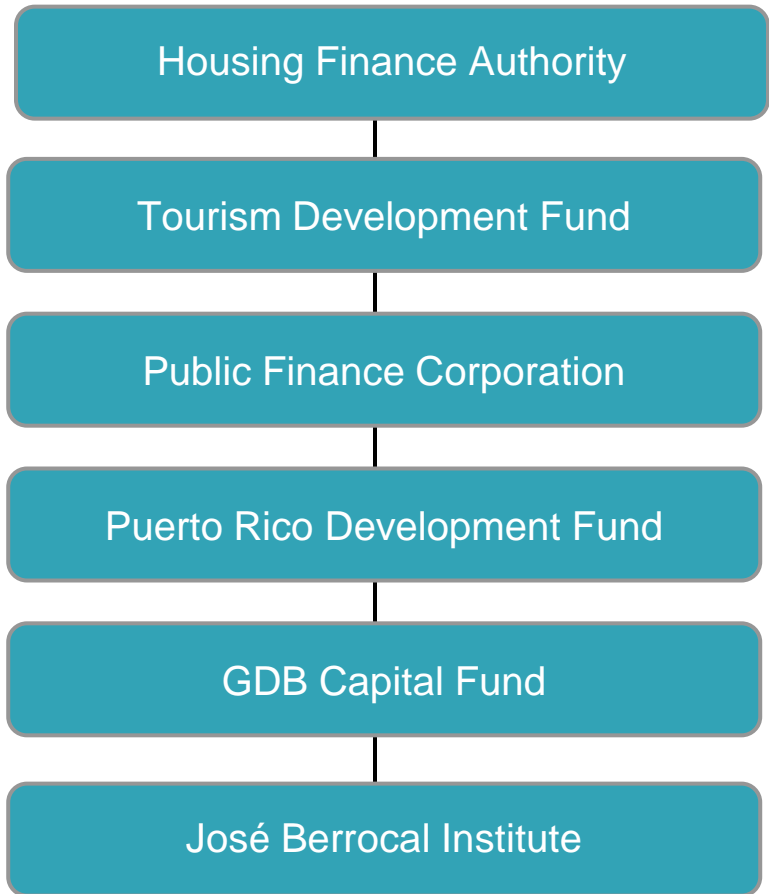
The expanded roles of the GDB



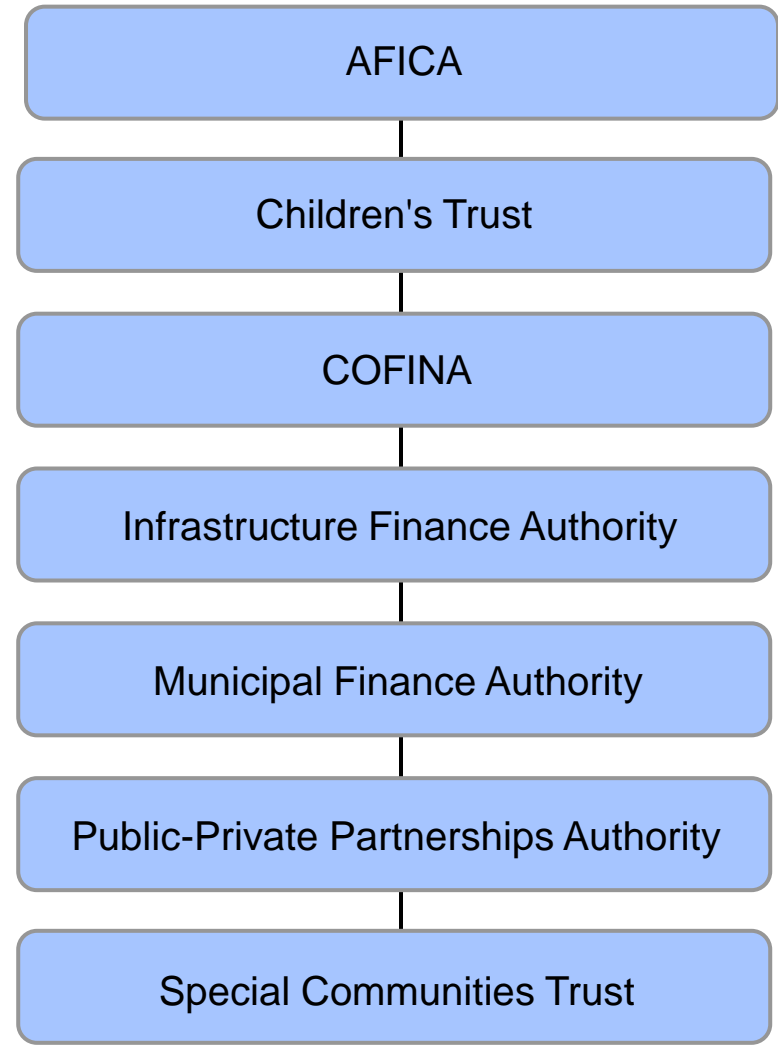


Government Development Bank

Subsidiaries



Affiliates





Puerto Rico Housing Finance Authority is expanding its lending to partially fill the void created by reduced credit availability for the housing sector

- Administers the U.S. Housing Act Section 8 program and acts as an approved mortgagee

- Authorized issuer of GNMA mortgage-backed securities
- Puerto Rico's State Credit Agency for Low-Income Housing Tax Credit

- New construction lending programs for low income housing
- Closing cost assistance program

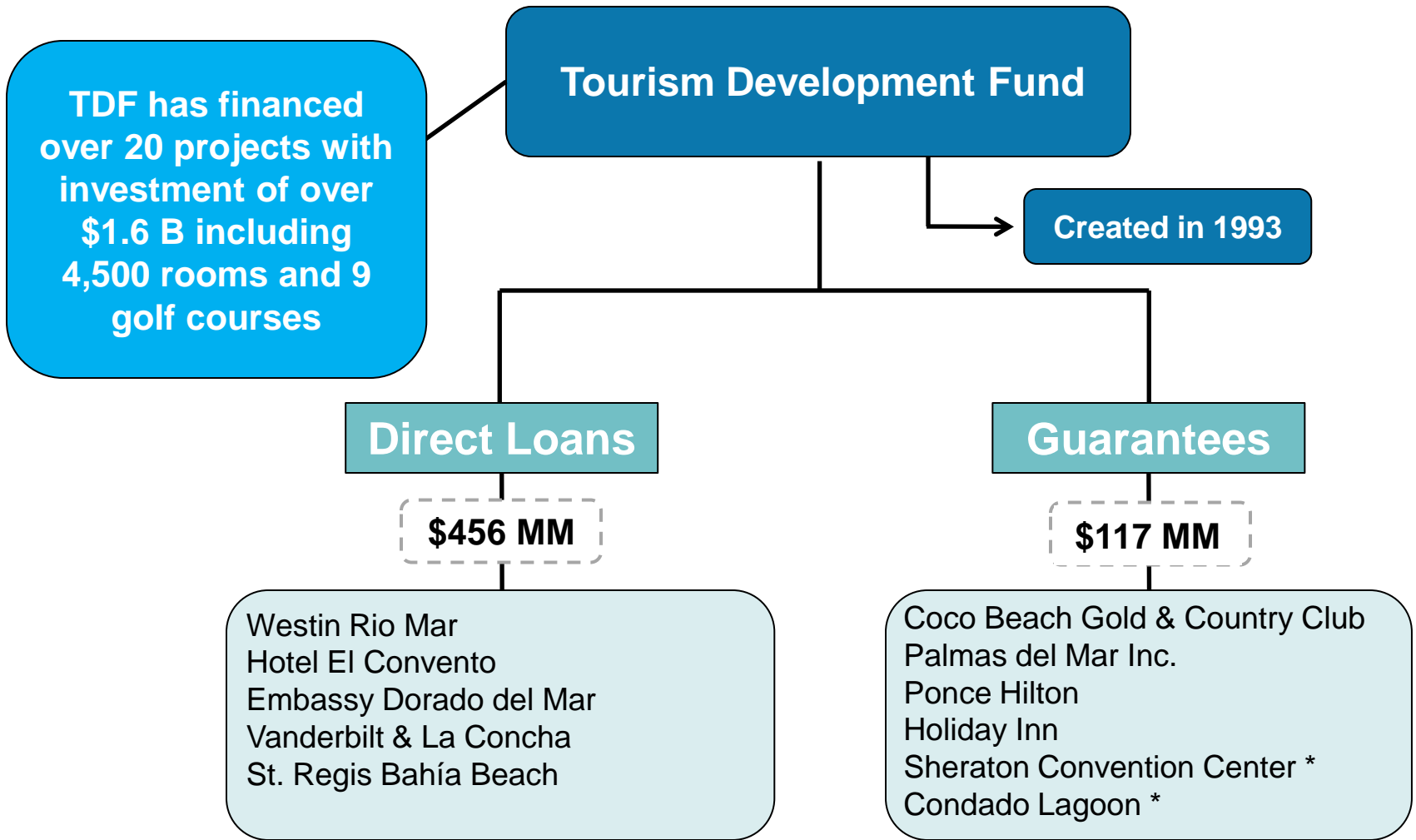
As of 6/30/09 PRHFA had \$1.7 bn in assets & \$580 MM in capital

In 2009 PRHFA assisted in the closing of 45% of total housing sales

PRHFA has a pipeline of over \$350 MM in low income housing construction projects



TDF is a valuable tool that promotes investment in tourism, currently financing or guaranteeing over 2,386 hotel rooms



* Pending



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2009 was a rebuilding year for the GDB, focusing on reestablishing fiscal discipline and improving profitability

What we were facing



Decreasing Liquidity
Decreasing Interest Margins
Loans without source of repayment
Unattended Fiscal Agent Role

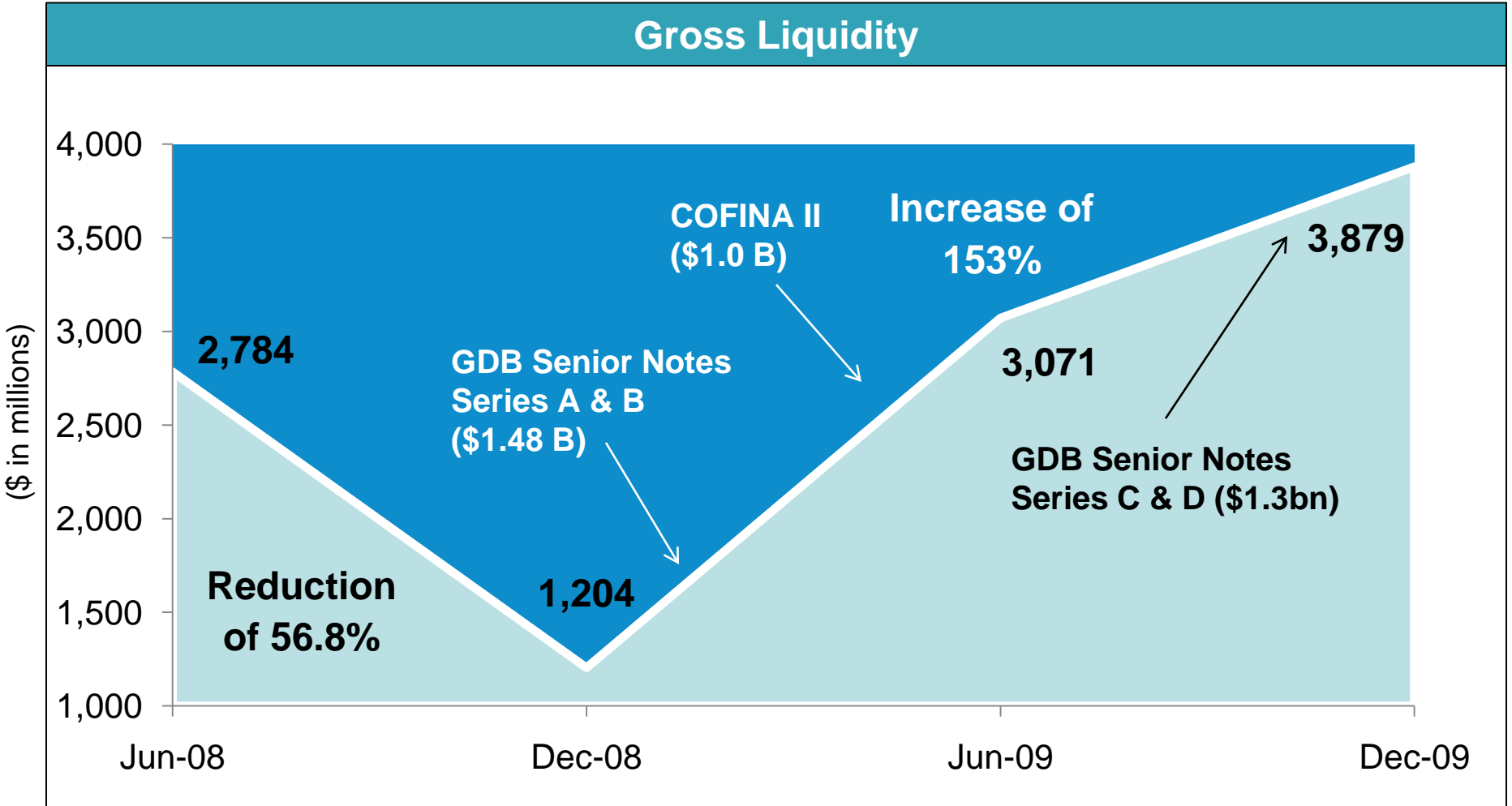
Our Response

Increase in Capital (PRIFA Transaction)
Change in pricing strategy to improve profitability
Strengthen Fiscal Agent role



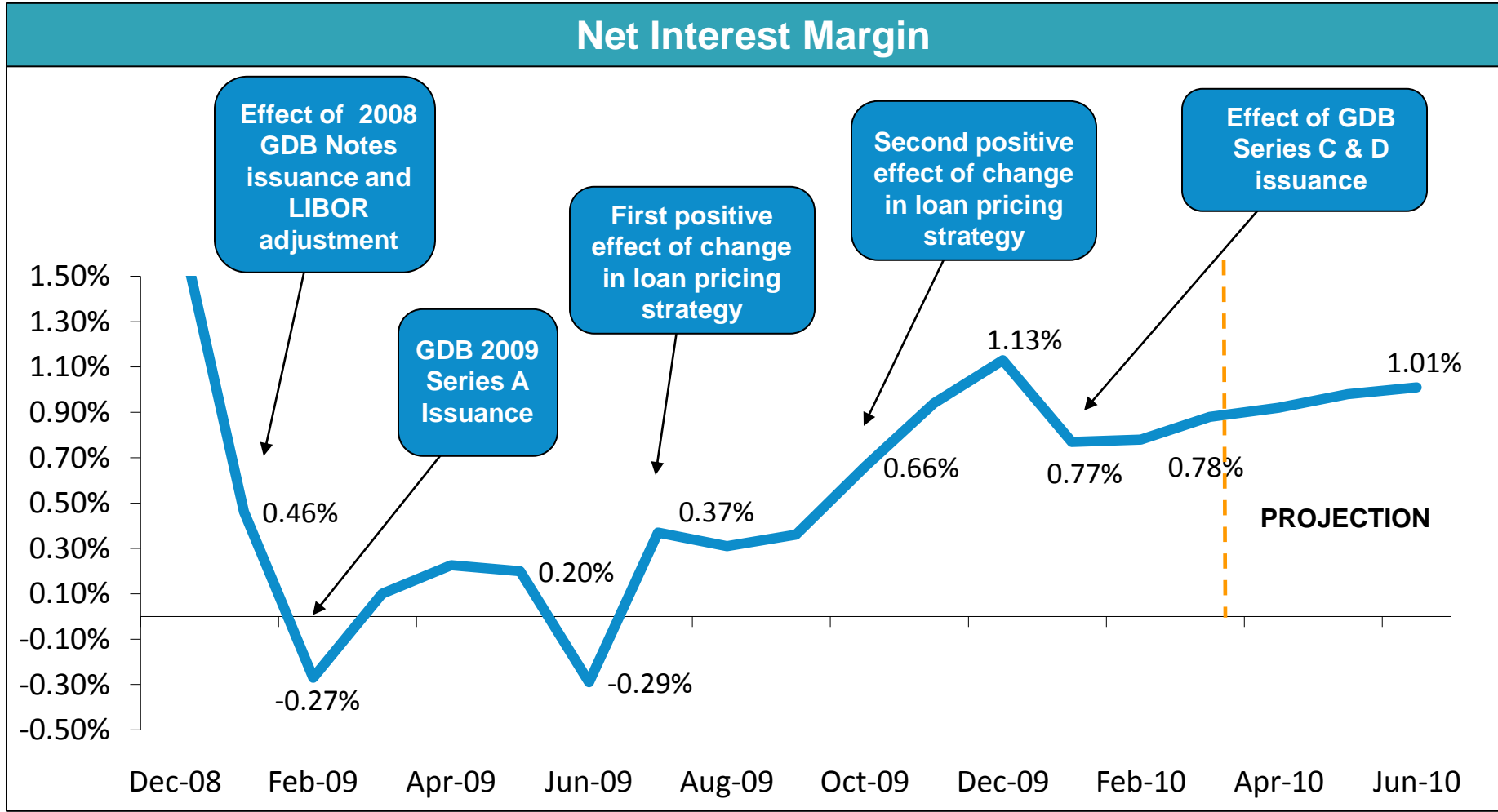


Management has increased liquidity to \$3,879 MM in order to strengthen our financial position





Improved asset liability management strategies have increased margins





Management identified over \$4.3 B in debt without a source of repayment

Identified debts without a source of repayment (as of January 2009)

(\$ in MM)

\$ 1,000 **Note secured by Delinquent Accounts
Receivables of the Department of Treasury**

1,067 **Extra constitutional debt**

378 **Other Loans**

\$ 2,445

\$ 1,926 **Capital Improvement Debts**

\$ 4,371 → **TOTAL**

COFINA II and legislative appropriations allowed to assign a source of repayment to this debt



Restructuring of the PRIFA Corpus Account provided much needed capital to the GDB

PRIFA Corpus Account Restructuring

1

Sale of SLGS securities in Corpus Account
\$1.95 B



2

Defeasance of bonds
\$1.2 MM



3

Distribution of net amount after paying bondholders, other debts, IRS settlement and transaction expenses of \$766 MM

\$300 MM

Deposit in GDB and conservation of Corpus Account until 2040.



\$466 MM

Distribution to help cover deficit and contribution to capital of GDB

- 2/3 actual deficit
- 1/3 GDB capital base

- This financial measure took advantage of market dislocations and provided a significant one-time gain to the Government.
- The transaction provided funds to partially cover the deficit for FY2009 and FY 2010 and to strengthen GDB's liquidity and capital.



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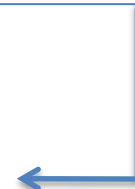


Management has focused on strengthening the bank's balance sheet

Bank Level Balance Sheets (in \$ millions)	Dec-08	Dec-09	Dec-08 vs. Dec-09	
			\$ Change	% Change
Cash	13	18	6	44%
Investment	3,733	5,312	1,579	42%
Loans	6,106	7,031	925	15%
Other Assets	542	429	(113)	-21%
Total Assets	\$ 10,394	\$ 12,790	\$ 2,396	18%
Deposits	6,194	7,003	809	13%
Other borrowings	795	789	(5)	-1%
Bonds & Notes	1,806	3,279	1,473	82%
Other Liabilities	95	60	(35)	-37%
Total Liabilities	\$ 8,889	\$ 11,132	\$ 2,242	25%
Net Assets	\$ 1,504	\$ 1,658	\$ 154	10%

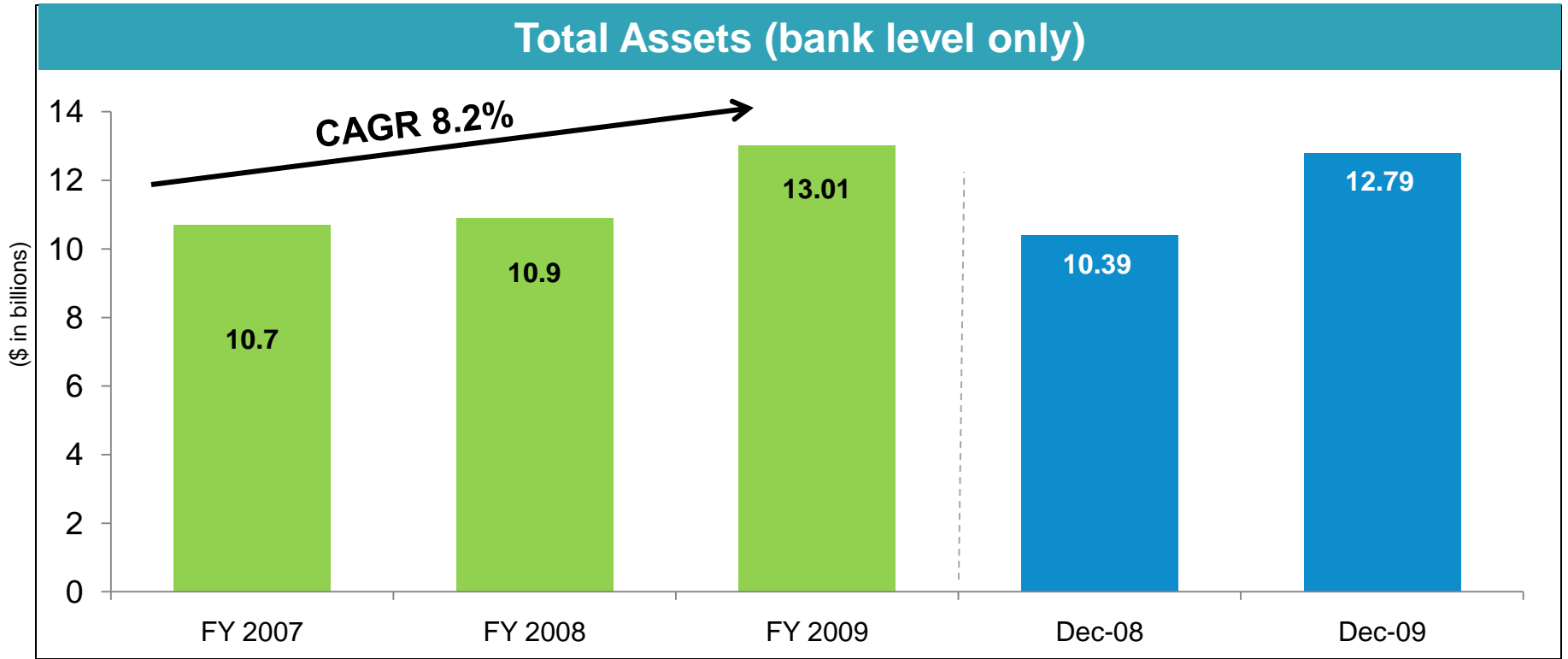
Implementation of various management strategies have resulted in increase in net assets

Net Assets have increased by **10%** from Dec-08 to Dec-09.





Assets have increased by 23% mainly as a result of increased lending to public corporations and new MTN program

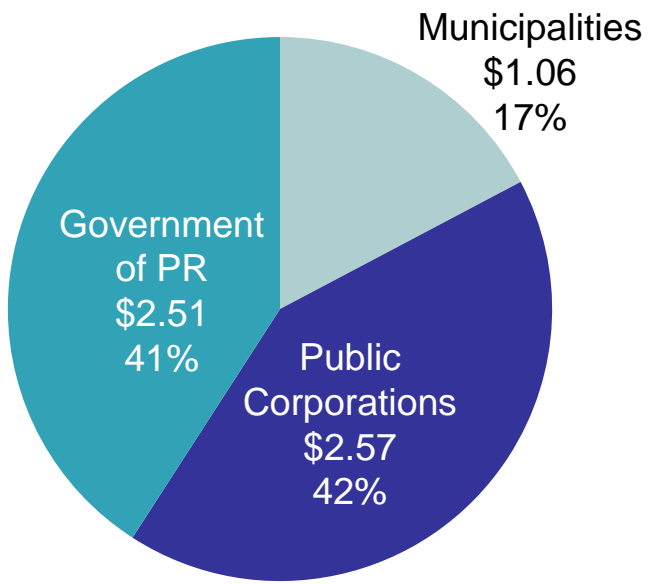


Increased lending to public corporations were within the Fiscal Oversight Agreement Program, and are mostly expected to be repaid by future bond issuances



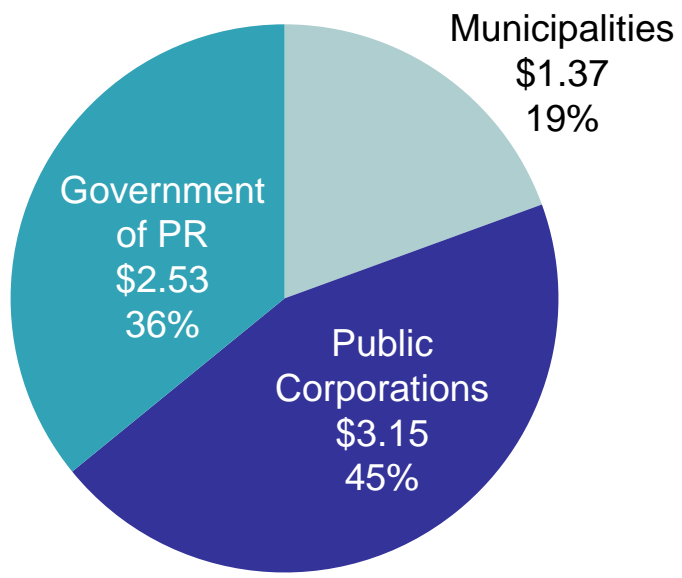
During the last year, the GDB loan portfolio concentration has shifted towards public corporations

December 31, 2008



Total Loans: \$6.14 B

December 31, 2009



Total Loans: \$7.05 B

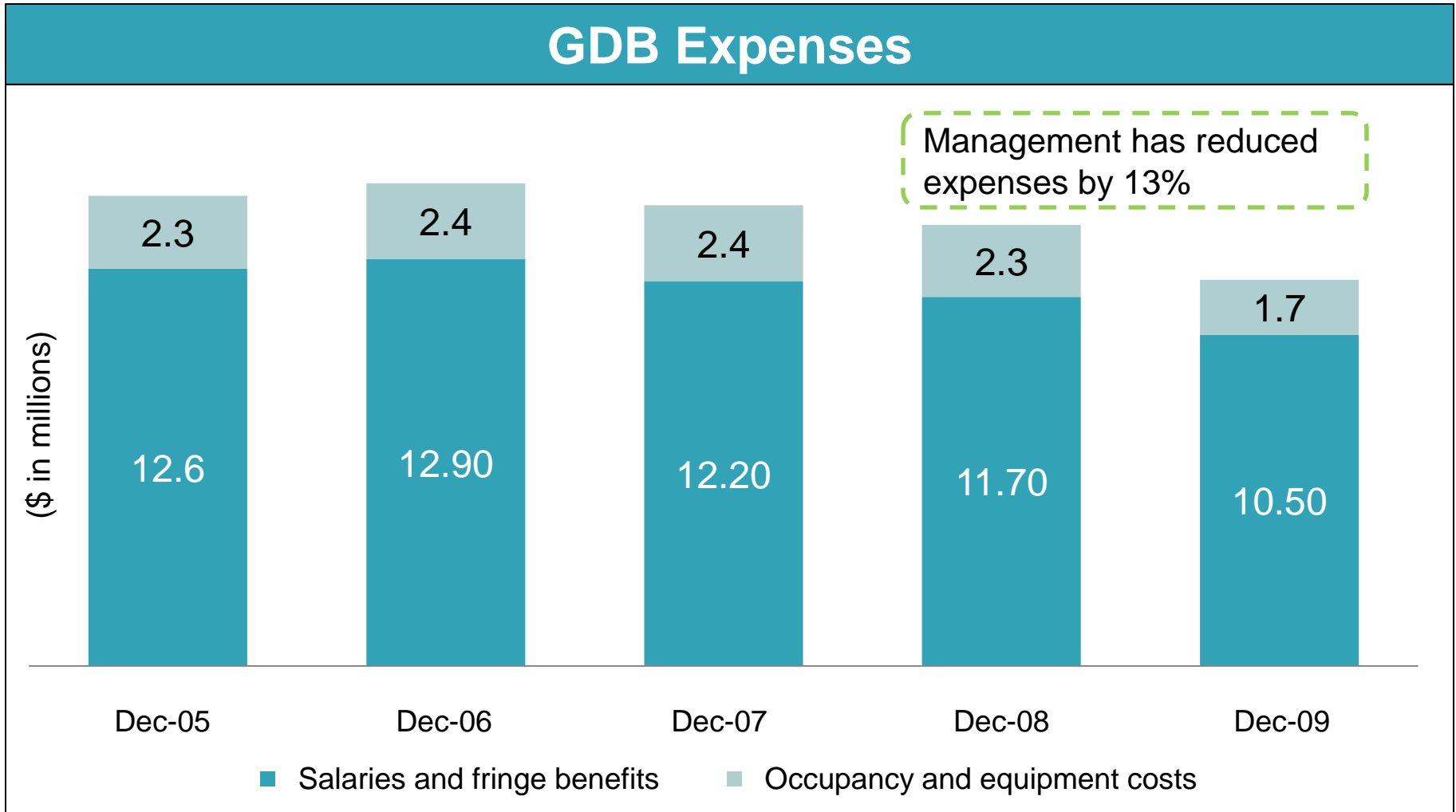


The GDB loan portfolio has a well balanced and diverse source of repayment

Loan to:	Amount (\$ in millions)	% of total	Payment Source
Public Corporations & Agencies			
Government of PR	\$ 2,532.2	35.84%	Legislative appropriations/Sales & Use Tax/Future Bond Issues
PRASA	600.2	8.50%	Net Water & Sewer Revenue Pledge
PREPA	191.6	2.71%	Net Electrical Revenue Pledge
PRPA	114.3	1.62%	Net Maritime and Airport Revenue Pledge
PRHTA	869.9	12.31%	Gross revenue Pledge; Toll Revenues/Oil Taxes
PBA	70.5	1.00%	Rental Payments/GO Guarantee up to \$32 billion
PRIDCO	45.7	0.65%	Rental Income/Sale of Properties
CFSE	230.0	3.26%	Net Insurance Revenues
CRM	175.5	2.48%	Net Property taxes
TDF	321.7	4.55%	Net Hotel Revenue Pledge/Legislative Appropriations
Other Public Corporations & Agencies	532.7	7.54%	Other Revenues
Total Public Corps. And Agencies	\$ 5,684.3	80.45%	
Municipalities	1,369.1	19.38%	Property Taxes/Municipal Sales Tax/General Municipal Revenues
Other	11.8	0.17%	Project Revenues/ General Fund Recourse
Total	\$ 7,065.2	100.00%	
Adjustments	(17.5)		
Net Loan Portfolio	\$ 7,047.7		



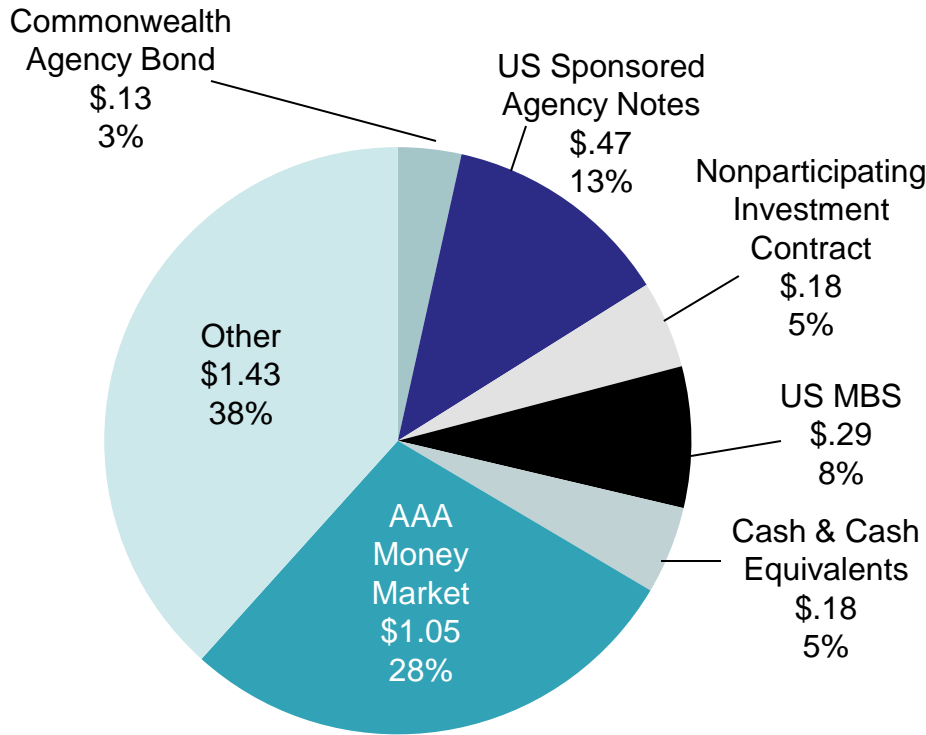
GDB has been fiscally responsible, reducing expenses and improving efficiencies





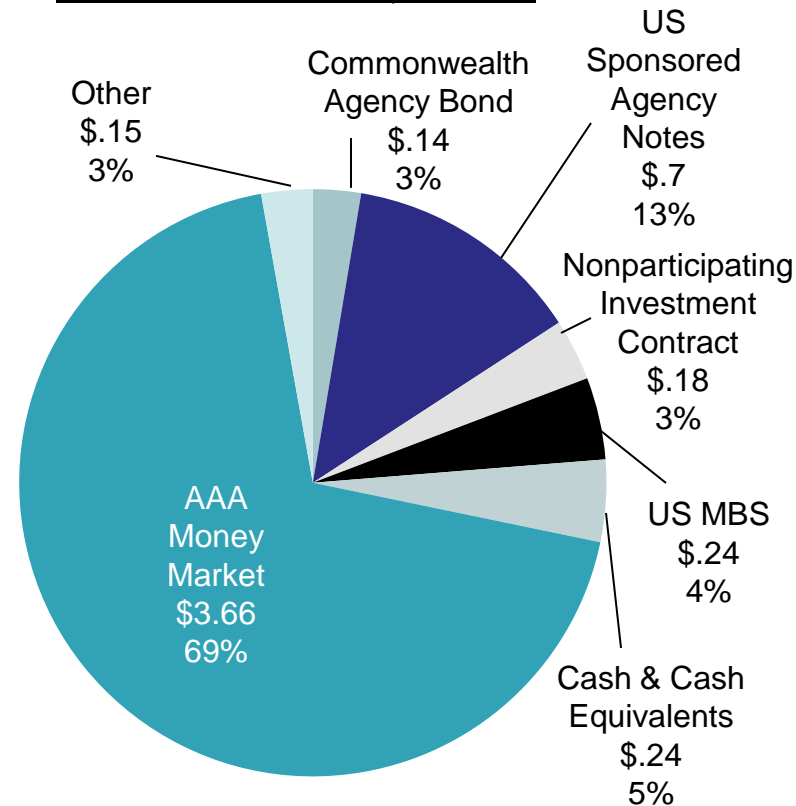
GDB has maintained a balanced mix in its investment portfolio over the past year

December 31, 2008



Investment Portfolio: \$3.73 B

December 31, 2009

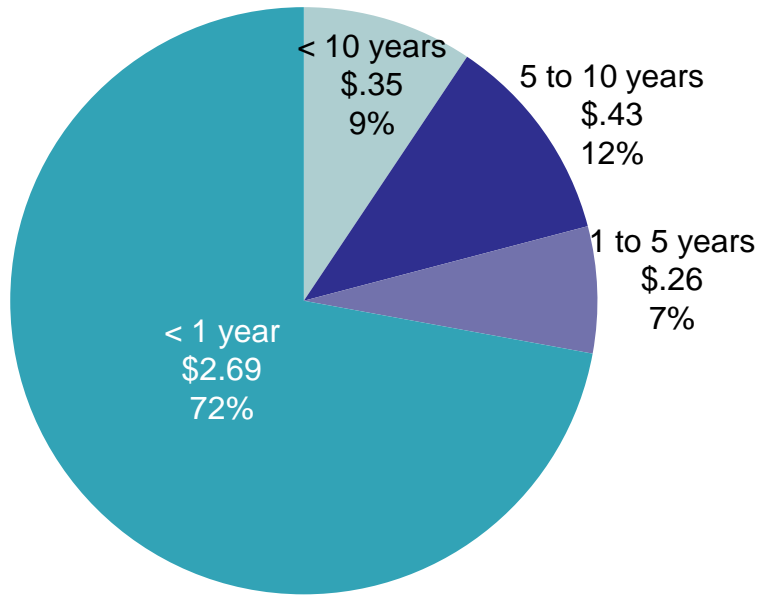


Investment Portfolio: \$5.31 B



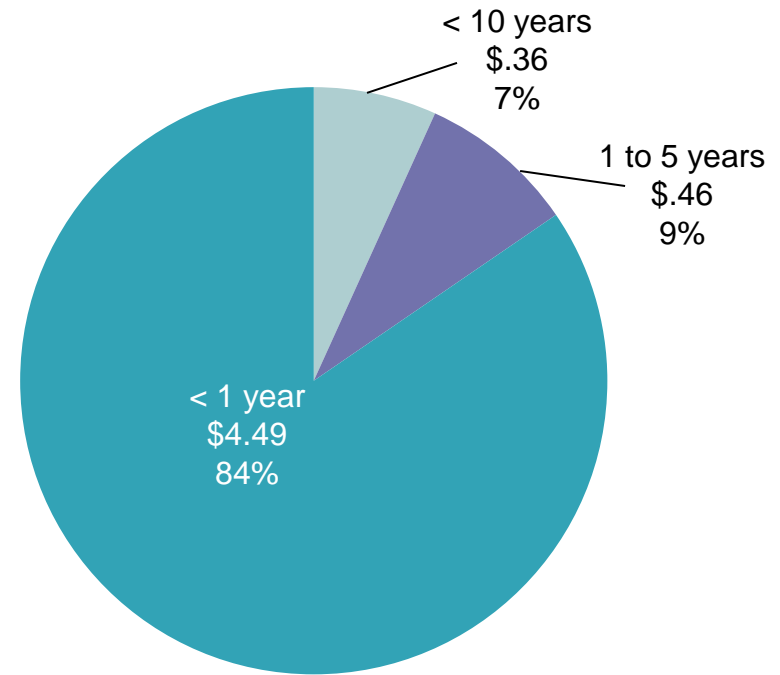
GDB has continued to maintain high levels of liquidity over the past year

December 31, 2008



Investment Portfolio: \$3.73 B

December 31, 2009

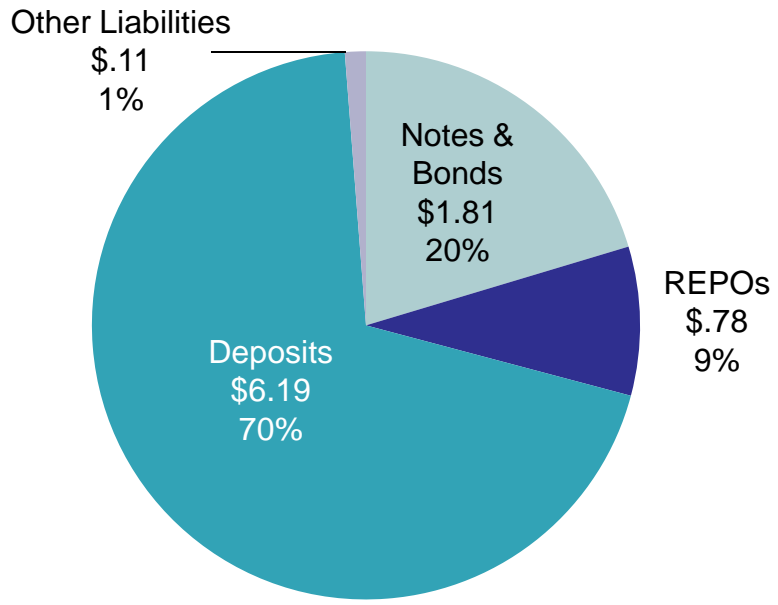


Investment Portfolio: \$5.31 B



Increase in funding amount and term during past year is due primarily to recent note offerings

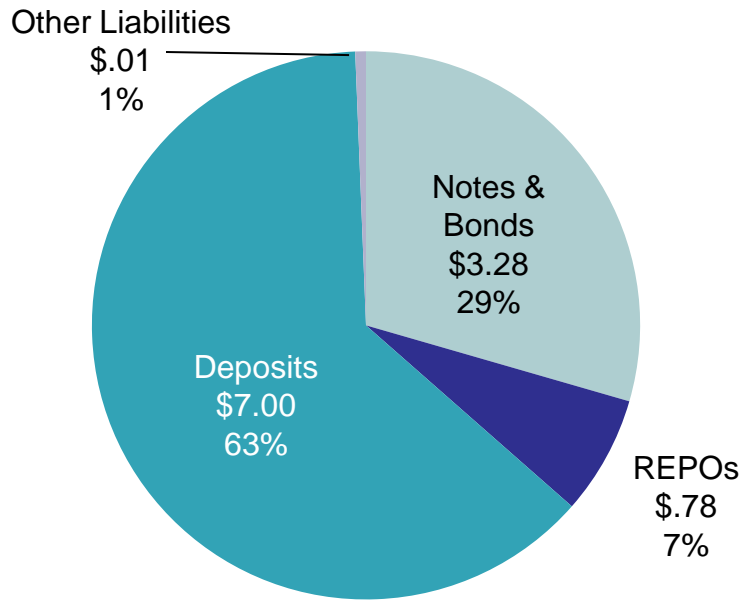
December 31, 2008



Total: \$8.89 B

Average Life: 1.45 yrs

December 31, 2009

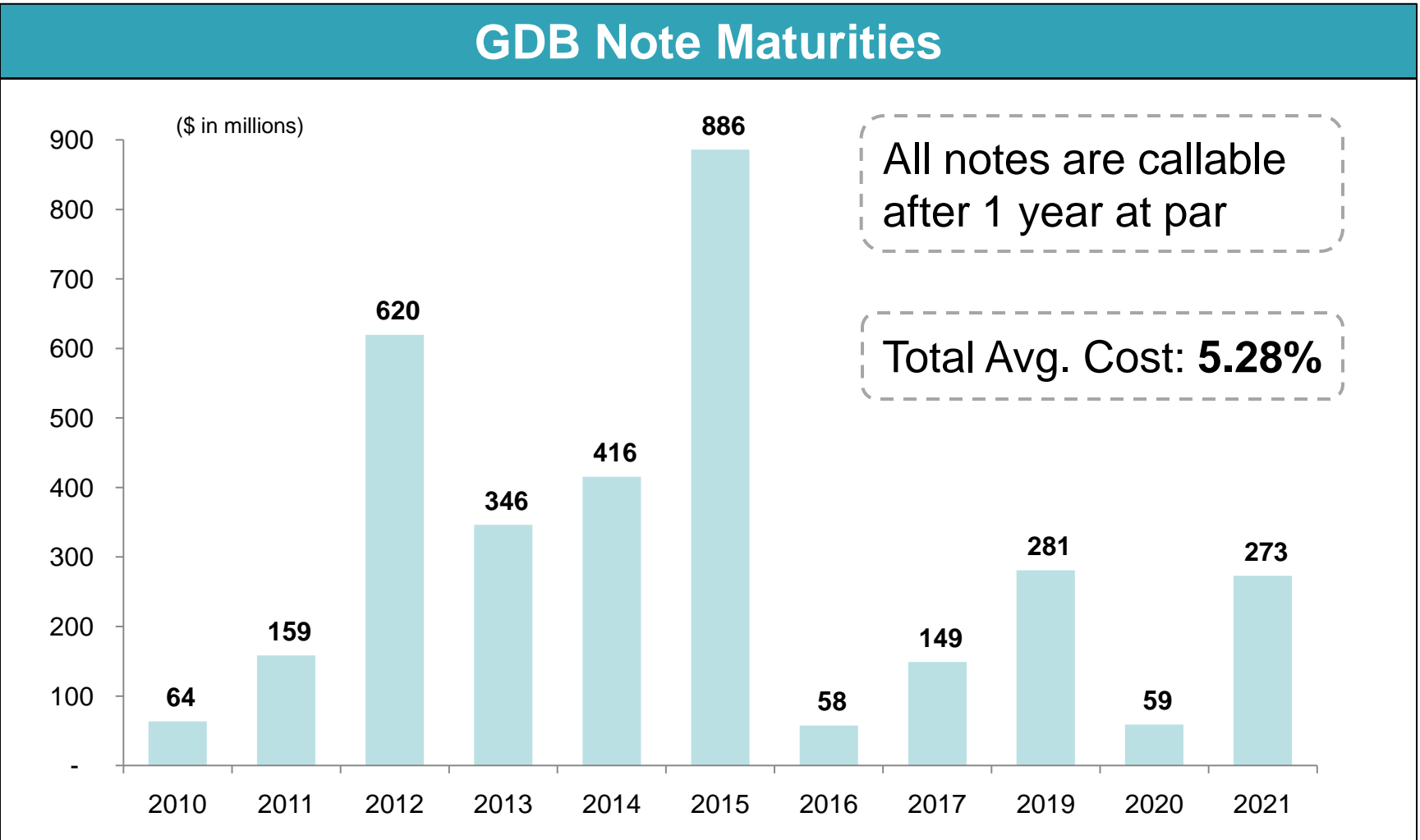


Total: \$11.13 B

Average Life: 2.72 yrs

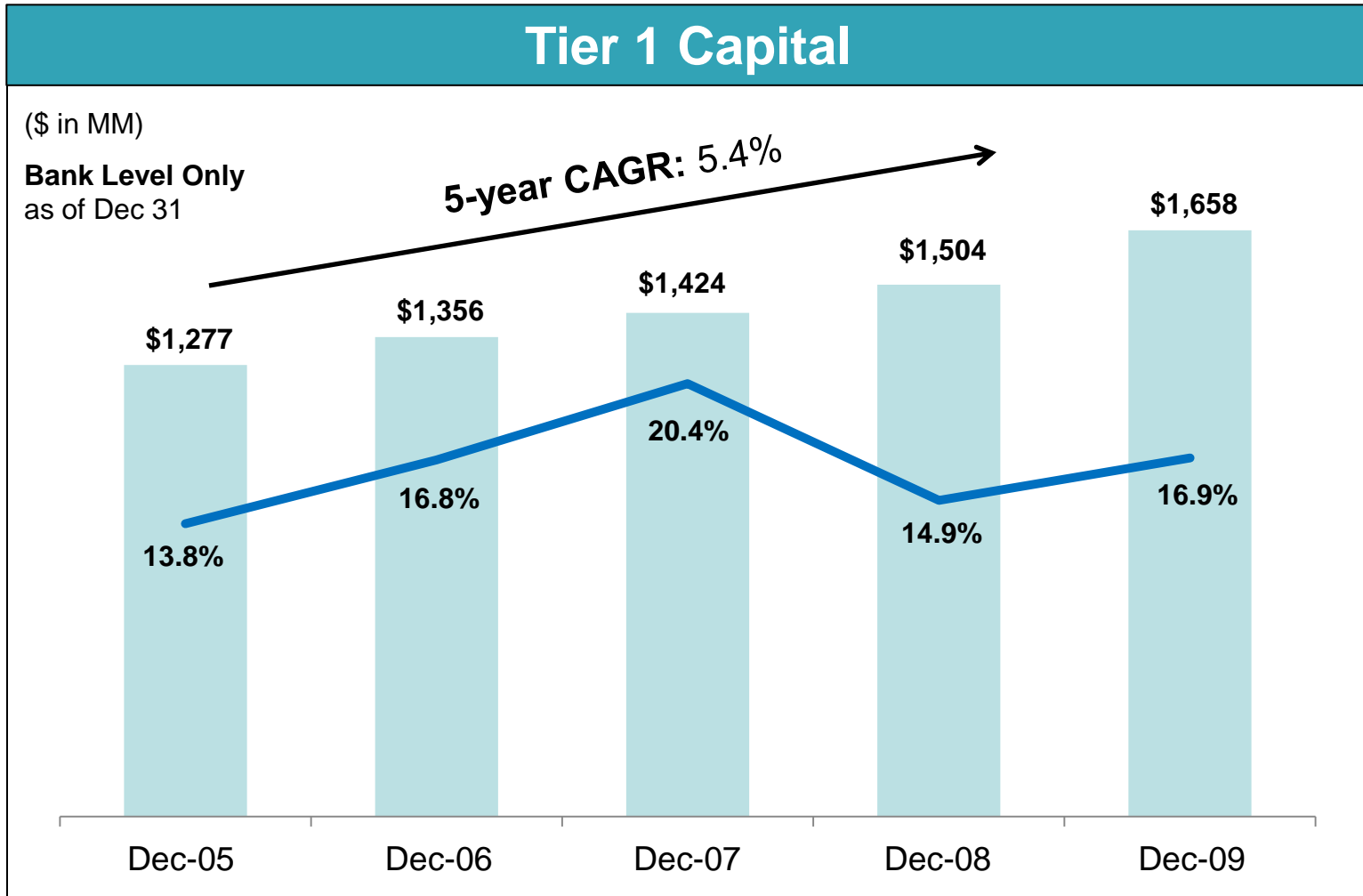


GDB notes maturities are well distributed throughout the next 10 years





Tier-1 Capital remains strong and we remain focused on continuing to strengthen our capital base





Strong Balance Sheet and ample liquidity that positions GDB for the future

Earnings Power & Loan Portfolio Quality

- Strong client base with low levels of non-performing loans
- Discipline with operating expenses has produced a reduction of 13%

Strong Balance Sheet

- Tier 1 Capital of \$1.7 B, resulting in 16.9% ratio and a 13.7% Tangible Common Equity ratio

Ample Liquidity

- GDB liquidity position allows to support the government and public corporations capital needs



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Management's strategic initiatives will allow the GDB to keep supporting the Government and its instrumentalities

Fiscal Agent

- Strengthen fiscal oversight of public corporations
- Continue central government expense monitoring and budget control

Public Financing

- Continue implementing loan pricing strategy in order to maximize net interest margin
- Execute over \$7.2 B in transactions during calendar 2010; maximize use of BAB's

Private Financing

- Strengthen private financing team in order to better manage TDF and private financing portfolio
- Emphasize asset quality and strict monitoring of portfolio

Municipal Financing

- Assist and advise on the implementation of fiscal reconstruction plans for municipalities with difficult economic situations

Treasury

- Increase net interest margin
- Maintain a liquid and high quality investment portfolio

Housing & Construction Lending

- Expand construction lending for low income housing
- Expand and maximize use of federal programs for direct mortgage lending



Concluding Remarks

- **GDB has strong liquidity and capital base**
 - Enhance access to capital markets
- **Has maintained strong liquidity position and capital base to ensure market access**
- **In 2009, the PRIFA restructuring transaction allowed to increase capital and the COFINA transaction resulted in reduced exposure to central Government**
- **GDB has expanded its roles and responsibilities taking a leading role in the Fiscal and Economic Reconstruction Plan of Puerto Rico**
- **GDB has undertaken significant efforts to strengthen its fiscal agent role with additional controls and fiscal oversight agreements with public corporations and principal agencies**



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