



PUERTORICO
CREDIT
CONFERENCE
2011

GDB Financial Highlights & Main Public Corporations

José R. Otero
Executive Vice President, Financing
Government Development Bank

April 8, 2011



Disclaimer

Today's presentation includes certain statements that are not historical in nature. These statements are based on the Government of Puerto Rico agencies and instrumentalities' 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.



Agenda

1

Overview

2

Financial Highlights

3

Asset / Liability

4

Public Corporations

5

Concluding Remarks



GDB is a solid, well-capitalized institution led by an experienced management team

Financial Highlights (Consolidated)

(in \$ billions)	12/31/2010
Assets:	\$14.2
Liabilities:	11.6
Net Assets:	2.6
Loans:	7.9
Capital Ratio:	18.3%
Rating S&P:	BBB/Stable

GDB is governed by a Board of Directors comprised by private sector members appointed by the Governor

Senior Management

Juan C. Batlle - President
José R. Otero - EVP, Financing
Juan M. Román - EVP, Fiscal Agent
Rubén Méndez - EVP, General Counsel

Board of Directors

Marcos Rodríguez-Ema, Esq. - Chairman
Juan C. Batlle - Vice Chairman
Juan E. Rodríguez Díaz, Esq.
Manuel H. Dubón, Esq.
Agnes B. Suárez, CPA



Institutional Profile

Subsidiaries:

Housing Finance Authority

Public Finance Corporation

Tourism Development Fund

Puerto Rico Development Fund

GDB Capital Fund

Jose Berrocal Institute

Affiliates:

Municipal Finance Authority

AFICA

Infrastructure Finance Authority

Public-Private Partnerships
Authority

Special Communities Trust

Children's Trust

COFINA



GDB promotes fiscal stability and economic development through four primary roles

1

Fiscal Agent

GDB oversees the credit and financial management of the Government of Puerto Rico, its agencies and public corporations.

2

Financial Advisor

GDB is the financial advisor of the Government, its agencies and public corporations and manages all its financings and capital market activities.

3

Lending Institution

GDB structures and approves all permanent financing and provides interim lending together with private financial institutions to all government entities.

4

Economic Development

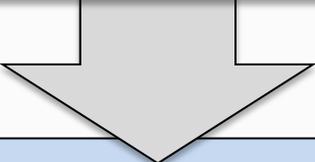
GDB promotes investment in strategic projects to fuel economic development and growth.



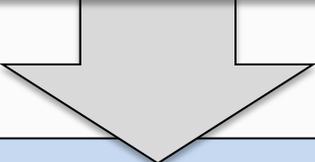
TDF is an important tool that promotes investment in tourism and allows GDB to fulfill its economic development role

TDF's Financing Activities

- Created in 1993
- Provides guarantees to financings for new projects
- Acts as direct lender of last resort
- Guarantees or direct lending can be senior or subordinated
- TDF has financed over 20 projects with investment of over \$2.1 billion representing over 4,700 rooms



Direct Loans:
\$454 MM



Guarantees:
\$576 MM



Two major hotel developments have opened in the last two years while several other projects remain in the pipeline for upcoming years

Sheraton Convention Center

Total development cost: **\$210 MM**
Opened: November 2009



St. Regis Bahia Beach Resort

Total development cost: **\$172 MM**
Opened: November 2010



Dorado Beach Ritz Reserve

Total development cost: **\$342 MM**
Construction Started: July 2010
Expected Opening: Fall 2012



11 diverse projects under evaluation, **1,331** additional rooms
for a total investment of **\$883 MM**



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

PRHFA has a pipeline of over \$270 MM in low income housing construction projects

- Administers the U.S. Housing Act Section 8 program and acts as an approved mortgagee
- Administers Puerto Rico's statewide HUD HOME Investment Partnership Program.

- 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

NY Federal Home Loan Bank Member since 2010

As of 12/31/2010 PRHFA had \$1.6 B in assets & \$645 MM in capital

PRHFA has assisted 9,020 families in the closing of housing sales



Agenda

1

Overview

2

Financial Highlights

3

Asset / Liability

4

Public Corporations

5

Concluding Remarks



We continue to focus on key initiatives to increase GDB's liquidity and strengthen its capital base

1

Preserving adequate pricing strategies

2

Maintaining a high credit quality portfolio

3

Improving funding diversity and asset liability management

4

Promoting greater participation of commercial banks in public lending

5

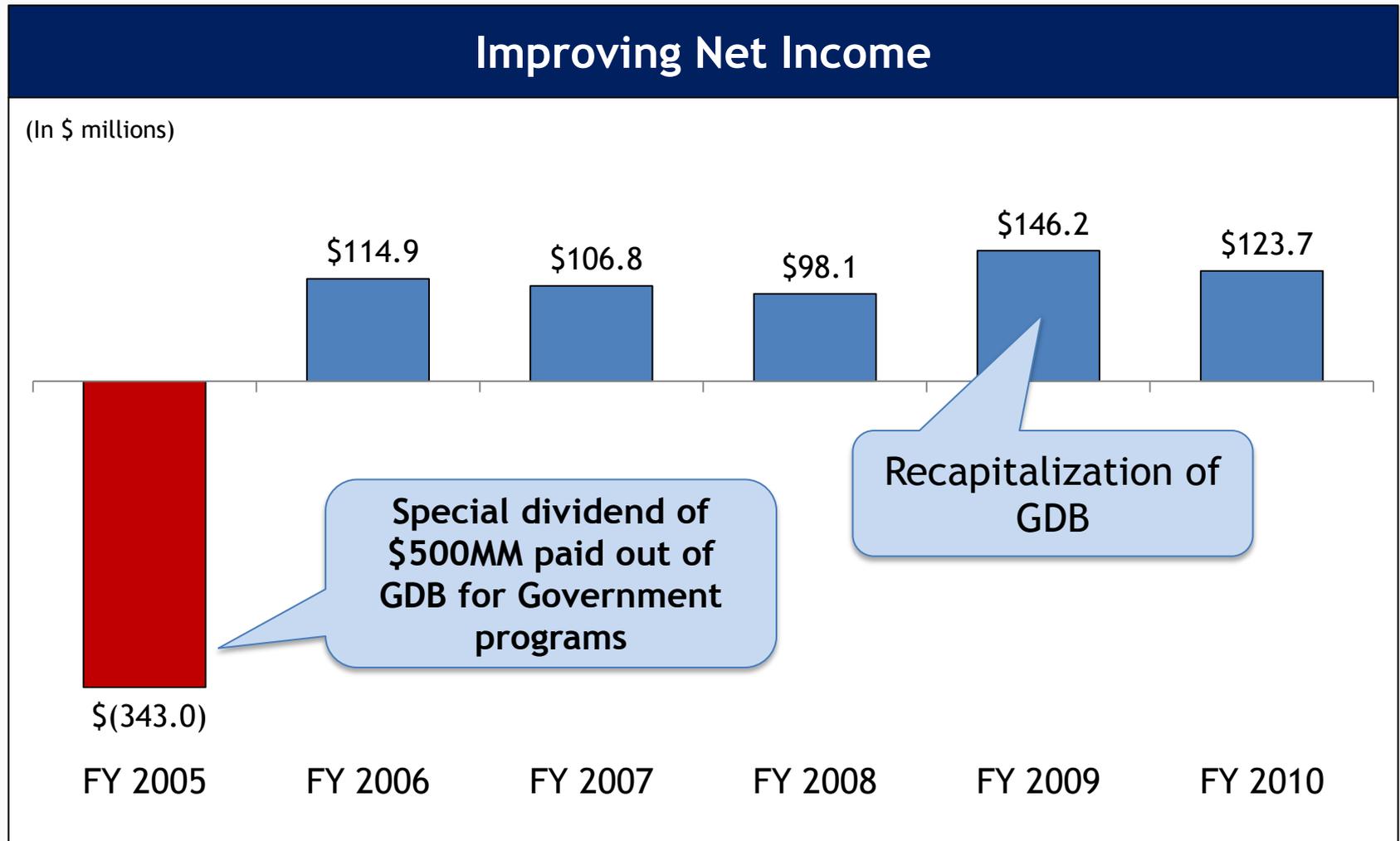
Continuing aggressive expense management to streamline the organization

6

Continuing communication and transparency with the investment community



GDB has been able to maintain consistent profitability through the years...



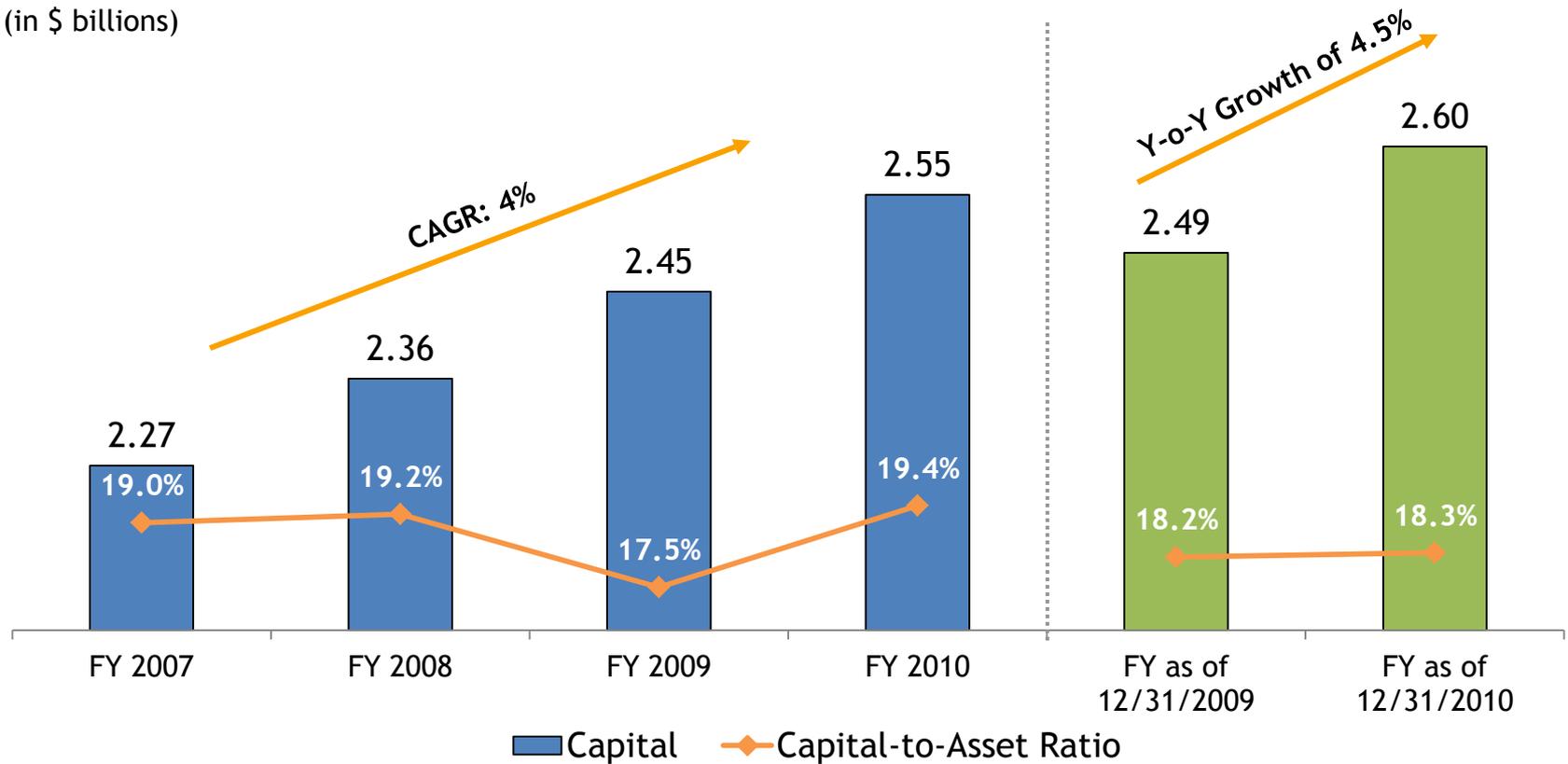
* Subject to change



GDB's capital position continues to strengthen

Capital and Capital to Asset Ratio

(in \$ billions)





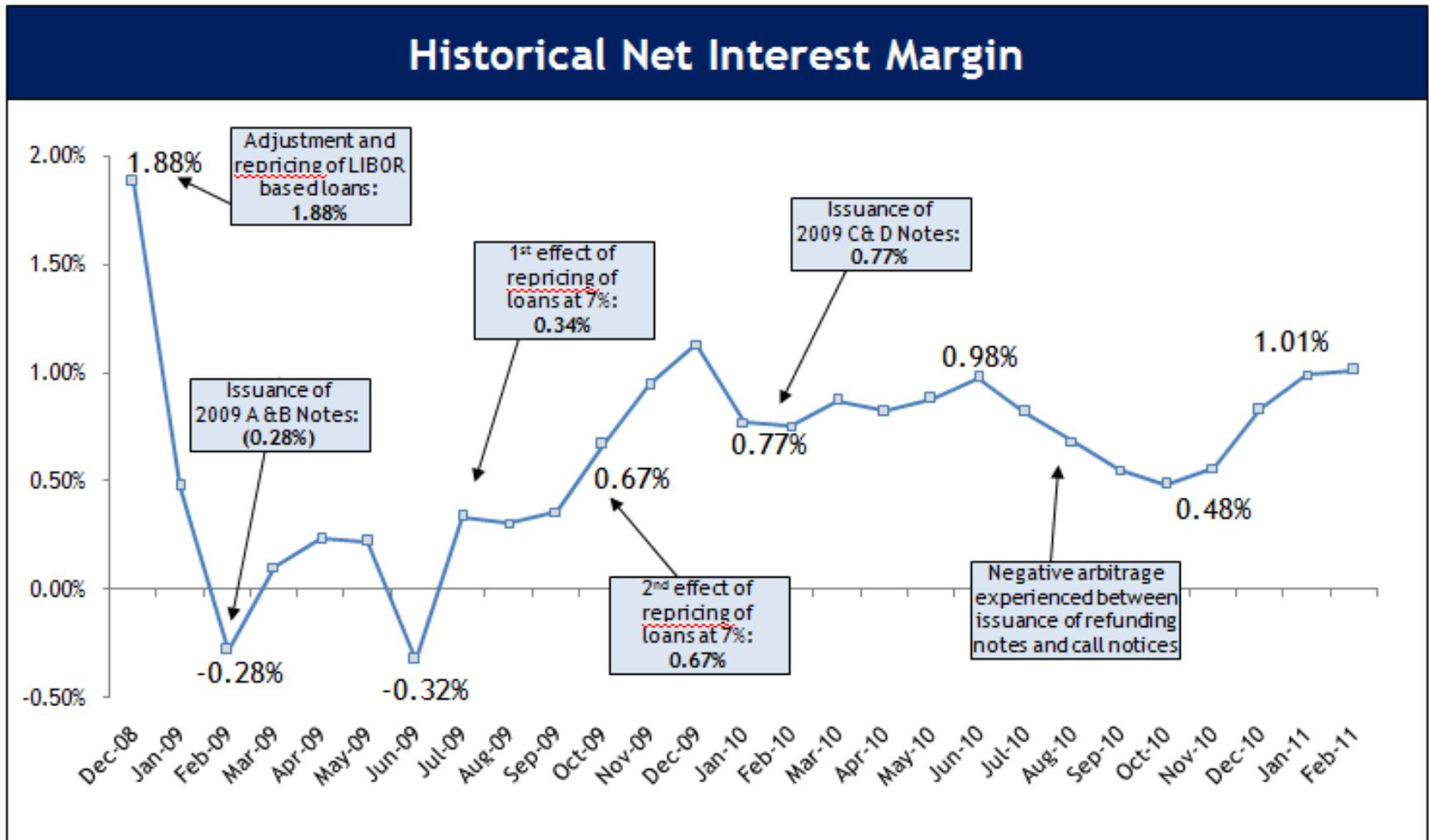
GDB's tangible common equity ratio is superior to those of similar sized banks demonstrating capital strength

In \$ millions	Total Assets (\$000)	Total Equity (\$000)	TCE (\$000)	TCE Ratio	Rating S&P
GDB (as of 12/31/10)	\$14,206	\$2,598	\$2,598	18.3%	BBB
KBW Regional Banking Index*	12,070	NA	929	8.15%	NA
Susquehanna Bancshares, Inc.	13,954	1,984	933	7.23%	BBB-
Fulton Financial Corp	16,275	1,880	1,332	8.47%	A*
Cullen/Frost Bankers, INC.	17,617	2,061	1,573	8.90%	A-
Bank of Hawaii Corp	13,126	1,011	980	7.48%	A-
SVB Financial Group	17,528	1,748	1,274	7.27%	BBB+
Valley National Bancorp	14,144	1,295	963	6.97%	A-

*KBW Index figures are weighted averages provided by KBW



GDB's focus on asset liability management has increased Net Interest Margin





Agenda

1

Overview

2

Financial Highlights

3

Asset / Liability

4

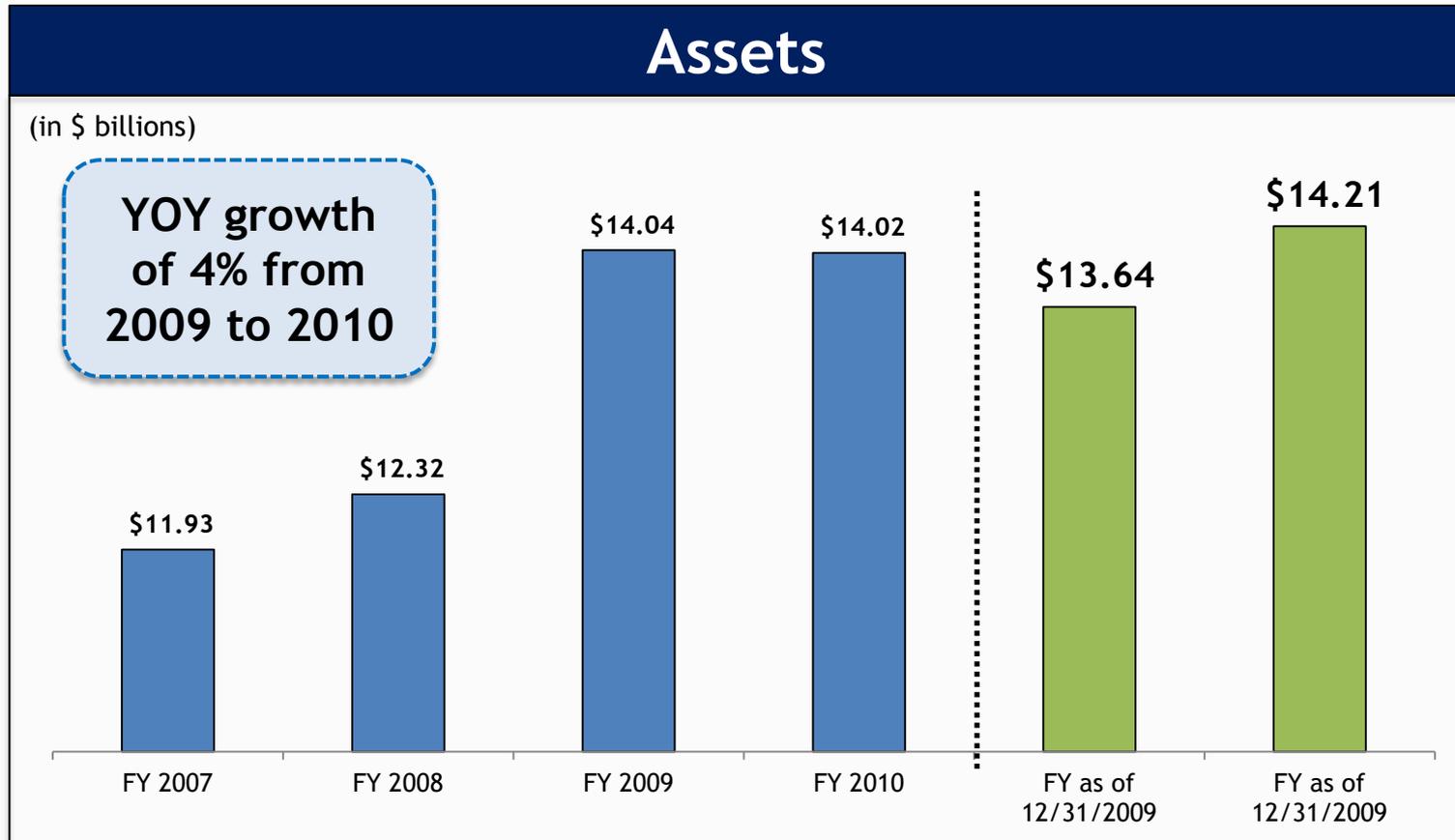
Public Corporations

5

Concluding Remarks



GDB assets have increased 4% YOY as a result of increased lending to public corporations



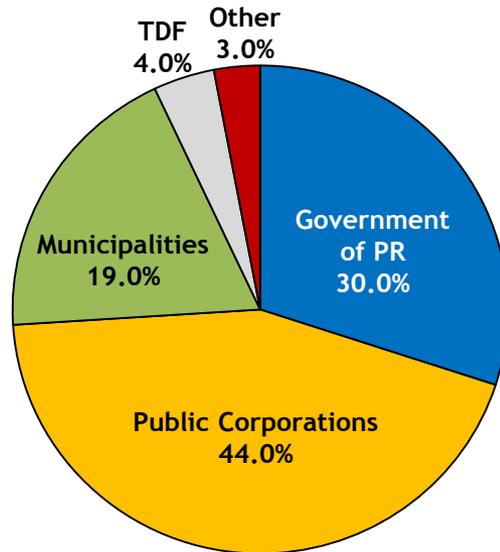
Increased lending to public corporations were within the Fiscal Oversight Agreement (FOA) Program and are mostly expected to be repaid by future bond issuances.



Loan portfolio consists of credit facilities granted to public corporations, government agencies and municipalities

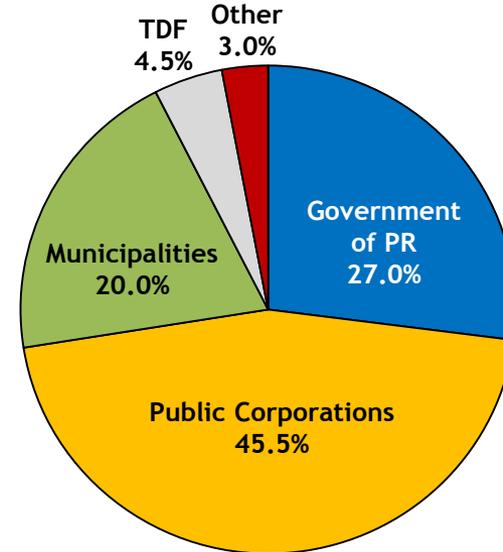
Loan Portfolio Composition

December 31, 2009



Total Loans: \$7.127 Bn

December 31, 2010



Total Loans: \$7.921 Bn

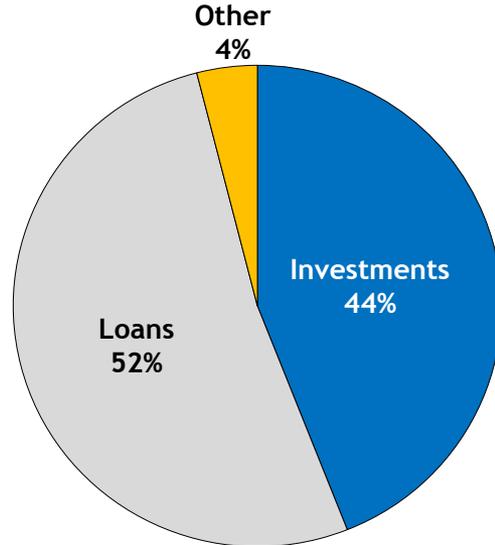


GDB has maintained a balanced mix between high quality investments and loans

Asset Composition

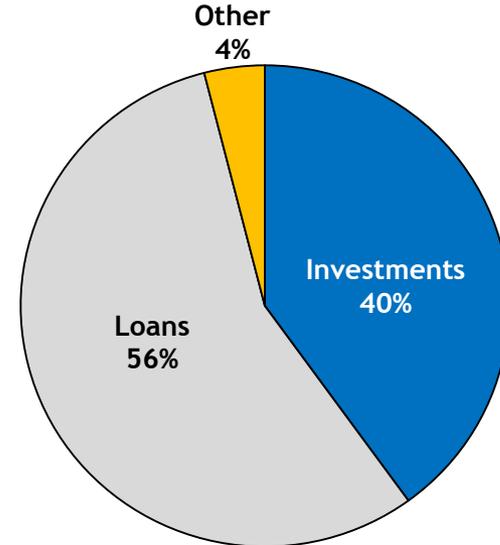
(in \$ billions)

December 31, 2009



Total Assets: \$13.64

December 31, 2010



Total Assets: \$14.20

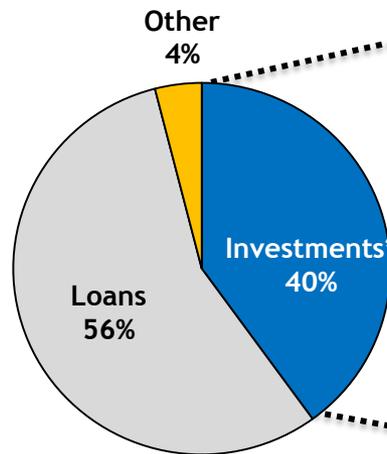


Investment portfolio consists of liquid, high quality securities

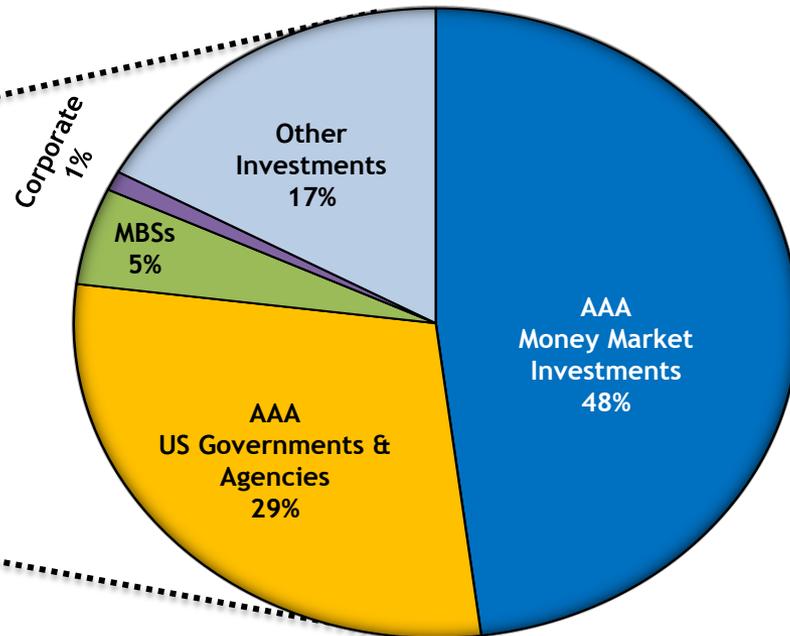
GDB Investments

(in \$ billions)

December 31, 2010



Total Assets: \$14.20



Total Assets: \$4.94

* Bank only-book value



GDB's balance sheet is well positioned to rising interest rate scenarios mainly due to the variable pricing of our loan portfolio and the short duration of our investment portfolio

Interest Rate Risk Sensitivity Analysis

	+200bps	+100bps	BASE	-100bps	-200bps
Total Interest Income:	602,835,911	521,468,743	464,372,586	432,978,569	413,131,891
Total Interest expense:	429,031,379	382,293,002	335,554,624	288,816,246	287,414,094
Net Interest Income	\$173,804,531	\$139,175,741	\$ 128,817,962	\$144,162,324	\$125,717,797
Variation	\$44,986,569	\$10,357,779	-	\$15,344,361	\$(3,100,166)
% Change from Base Line	34.92%	8.04%	-	11.91%	-2.41%

*Assumes funding cost floor of 0.25%



Interest rate risk is analyzed through sensitivity analysis where the balance sheet is exposed to fluctuations of up to 200 basis points increase and decrease in rates

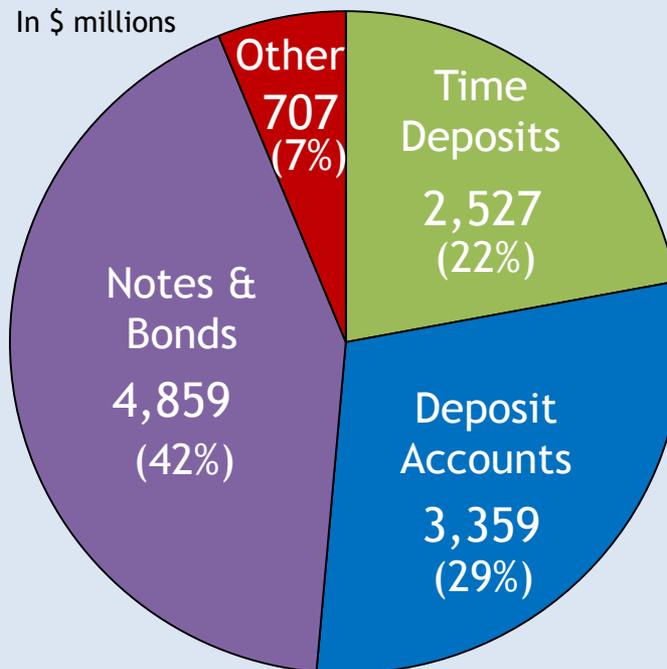


Opportunistic funding transactions have resulted in lower cost of funding

Funding Composition*

(December 31, 2010)

Cost of funds:
2.94%



Average Life
(years): 3.68

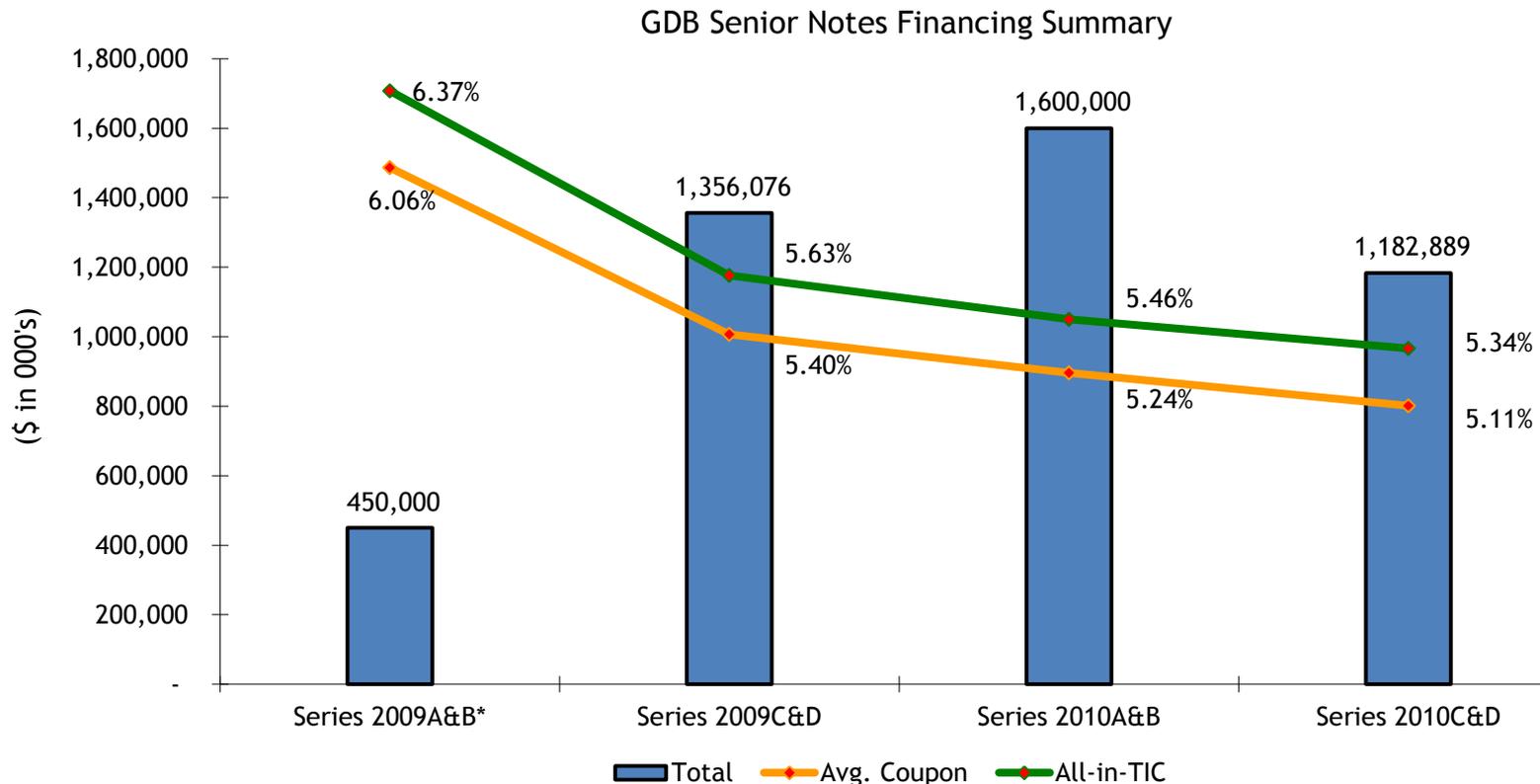
* Numbers may not add up due to rounding

**Total Treasury & Deposits:
\$11,452 MM**



We have continued to opportunistically take advantage of market conditions to execute MTN program resulting in significant savings

Recent GDB Notes Program resulted in significant savings



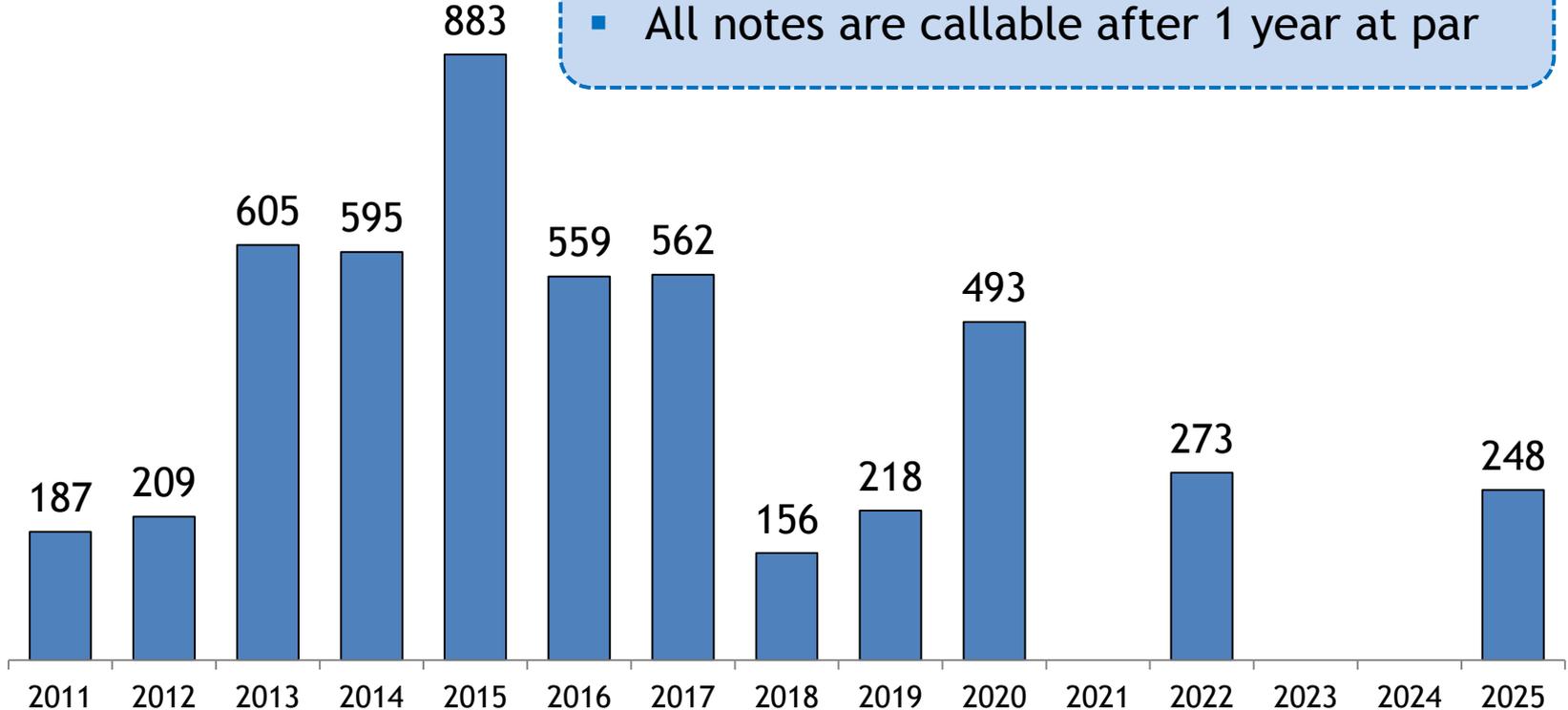


GDB note maturities are mainly distributed over the next 10 years with callability option, which allows for opportunistic refundings

GDB Outstanding Note Maturities

(in \$ millions)

- Average Maturity: 5.36 years
- All notes are callable after 1 year at par





Agenda

1

Overview

2

Financial Highlights

3

Asset / Liability

4

Public Corporations

5

Concluding Remarks



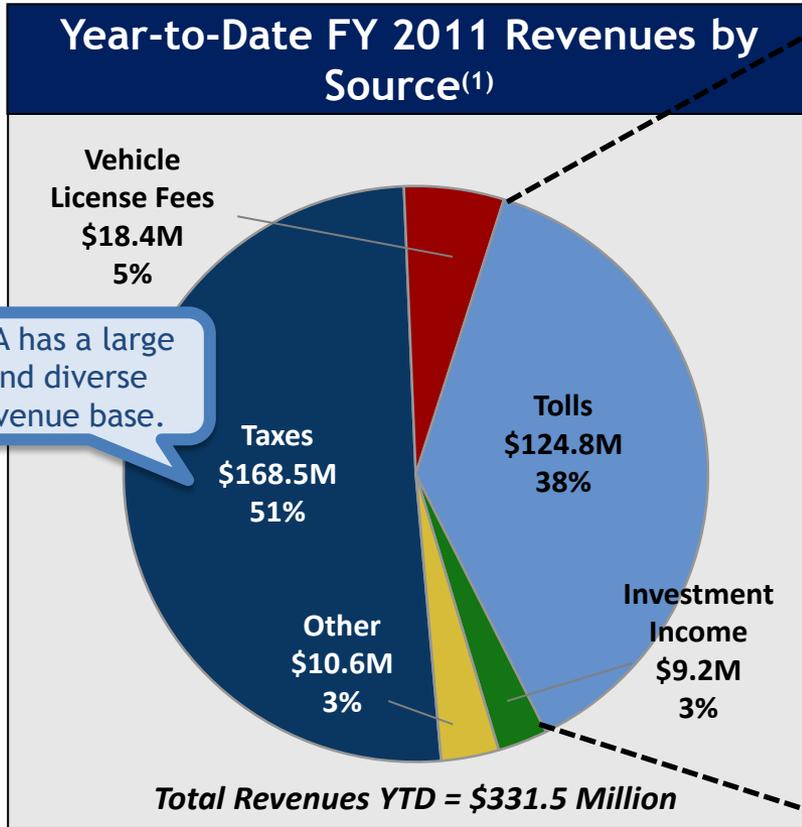
GDB will be hosting an investor webcast in the Summer to share FY 2011 operating results of main public corporations



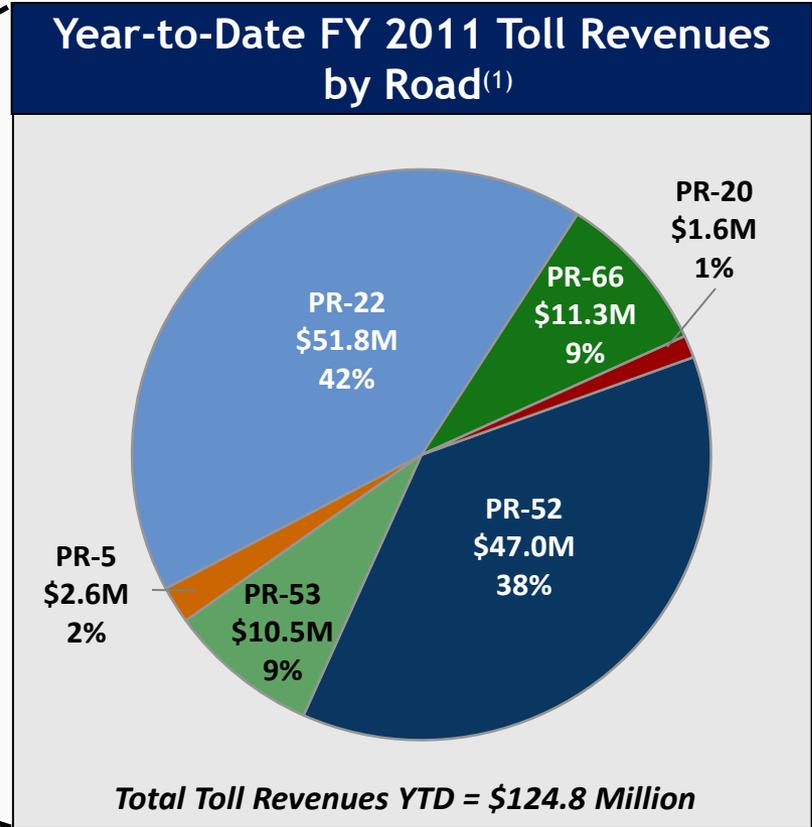
Highways and Transportation Authority (HTA)



Traffic has increased 2.6% on a year-over-year basis, resulting in a 2.4% increase in toll revenues



HTA has a large and diverse revenue base.



PR-22/PR-5 P3 process continues on target

Source: HTA
1. Year-to-Date FY2011 as of January 31, 2011 are based on actual revenues from July 2010 through January 2011 provided by HTA.



HTA has a strong debt service coverage on both 1968 and 1998 Resolutions

Debt Service Coverage Calculation	
(in \$ thousands)	FY 2011 Projected
1968 Resolution:	
Total 1968 Pledged Revenues	414,290
Total Adjusted 1968 Res. Debt Service	136,717
1968 Res. Debt Service Coverage	3.03x
1998 Resolution:	
Total 1998 Pledged Revenues	385,210
Total Adjusted 1968 Res. (Sr) Debt Service	258,574
1998 Res. (Sr) Debt Service Coverage	1.49x
Total Adjusted 1998 Res. (Sr+Sub) Debt Service	288,917
1998 Res. (Sr+Sub) Debt Service Coverage	1.33x

Ratings		
	Moody's	S&P
1968 Resolution	A2	BBB+
1998 Resolution	A3	BBB

Total Debt Outstanding: \$7.2B*

* As of December 31, 2010



PR Aqueduct and Sewer Authority (PRASA)



PRASA's YTD operating results are in line with projections and has a strong and ample debt service coverage

Operating Results				
(in \$ millions)	Jan 2011 YTD	Jan 2010 YTD	Change (\$)	Change (%)
Net Operating Revenues	\$395.2	\$401.4	(\$6.3)	-1.6%
Total Operating Expenses	378.8	375.2	3.6	1.0%

Debt Service Coverage Calculation	
(in \$ thousands)	FY 2011 Projected
Total Revenues(1)	\$854,479
Total Expenses	612,419
Net Revenues Available for Debt Service	242,061
Senior Debt Service	68,756
Debt Service (Sr) Coverage Ratio	3.52x
Senior Subordinate Debt Service	11,144
Debt Service (Sr Sub) Coverage Ratio	3.03x

Ratings	
Moody's	Baa1
S&P	BBB

Total Debt Outstanding: \$3.5B*

* As of December 31, 2010



PR Electric Power Authority (PREPA)



PREPA's revenues have increased 1.7% on a year-over-year basis

Operating Results				
	Jan 2011 YTD	Jan 2010 YTD	Change	Change (%)
Sales (million, kWh)	11,052	11,401	(350)	-3.1%
Fuel Barrels used (million)	14.1	15.3	(1.2)	-7.8%
Cost per Barrel (\$)	85	73	12	15.8%
Average Number of Clients (thousands)	1,474	1,466	8	0.6%

Debt Service Coverage Calculation	
(in \$ millions)	FY 2011 Projected
Net Revenues	\$836.2
Debt Service	479.8
Aggregate Debt Service Coverage Ratio	1.74x

Ratings	
Moody's	A3
S&P	BBB+
Fitch	BBB+

Total Debt Outstanding: \$7.95B*

* As of December 31, 2010



Agenda

1

Overview

2

Financial Highlights

3

Asset / Liability

4

Public Corporations

5

Concluding Remarks



New management team is committed to continue the progress made over the last two years



Strong governance and risk management practices



Strong liquidity position and capital base to enhance access to capital markets



Strict fiscal agent role with close oversight of public corporations (Fiscal Oversight Agreements)



Enhanced roles and responsibilities taking a leading role in the Fiscal and Economic Reconstruction Plan



PUERTORICO
CREDIT
CONFERENCE
2011

GDB Financial Highlights & Main Public Corporations

José R. Otero
Executive Vice President, Financing
Government Development Bank

April 8, 2011