



Government Development Bank for Puerto Rico

**GDB Senior Notes 2009 Series C and D
Presentation to Syndicate and Selling Group Members**

December 17, 2009



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 strategy.



Agenda

1. General Overview of GDB and Key Management Initiatives

2. Financial Overview of GDB (Bank Level Only)

3. GDB Note Offerings



Overview of GDB

Bank Level Only (excluding subsidiaries)

Assets:	\$ 12.1 bn
Liabilities:	\$ 10.5 bn
Net Assets:	\$ 1.6 bn
Loans:	\$ 6.5 bn
Capital Ratio:	13.6%
Headcount:	283
Rating S&P:	BBB/Stable/A-2

Note: data as of September 30, 2009

- **GDB is a public corporation of the Government of Puerto Rico created in 1948**
- **Governance: Seven-member Board of Directors comprised principally by private sector members appointed by the Governor of Puerto Rico**

Senior Management

President:	Carlos M. García
EVP Financing & Treasury:	Fernando L. Batlle
EVP Fiscal Agent:	William Lockwood
EVP Operations:	Jesús Méndez
General Counsel:	Jorge A. Rivera

Board of Directors

Carlos M. García, Chairman
Alejandro M. Ballester
Agnes B. Suárez, CPA
Juan E. Rodríguez Díaz, Esq.
Manuel H. Dubón Otero, Esq.
Marcos Rodríguez Ema, Chief of Staff
Pedro Ray Chacón



Roles of GDB

Fiscal Agent

Financial Advisor

**Promote economic
growth and fiscal
stabilization**

Lending

**Economic
Development**



The Year in Review - 2009

PRIFA Corpus Account Restructuring: Generated \$154.2 MM to GDB

Approval of Act 7: Economic and Fiscal Reconstruction Plan

COFINA Senior rating upgrade from A+ to AA-

PBA Series P & K bond issue (\$380.9 MM)

GO 2009 Series A (\$3.4 MM) & refunding Series 2007-A (\$93.8 MM)

GO 2009 Series B (\$372.7 MM) & Approval of Condado Duo Financing

**Jan-
Feb**

**Mar-
Apr**

**May-
Jun**

**Jul -
Aug**

**Sep-
Oct**

**Nov -
Dec**

Puerto Rico Credit Conference

Confirmation of Government's deficit

COFINA Series A,B & C (\$5.33 bn) & Approval of Act 29: Creation of P3 Authority

Execution of Fiscal Oversight Agreements with PREPA, PRASA, PBA, PRHTA & PRPA

PBA Restructuring (\$152.5 MM) & Puerto Rico Projects Conference P3

GO 2009 Series C (\$200 MM) & Execution of MOU with Dept. of Education



Key Management Initiatives

- 1 Recruitment of experienced management team and Board of Directors
- 2 New pricing strategy and discipline to reflect market conditions and improve profitability
- 3 Maintain high credit quality and liquid investment portfolio
- 4 Improved funding diversity and asset liability management
- 5 Continue to strengthen capital base
- 6 Promote greater participation of commercial banks in government lending
- 7 Available capacity to increase leverage due to strong capital base
- 8 Transparency of information with investors, mainland U.S. and local financial services industry and rating agencies



Agenda

1. General Overview of GDB and Key Management Initiatives

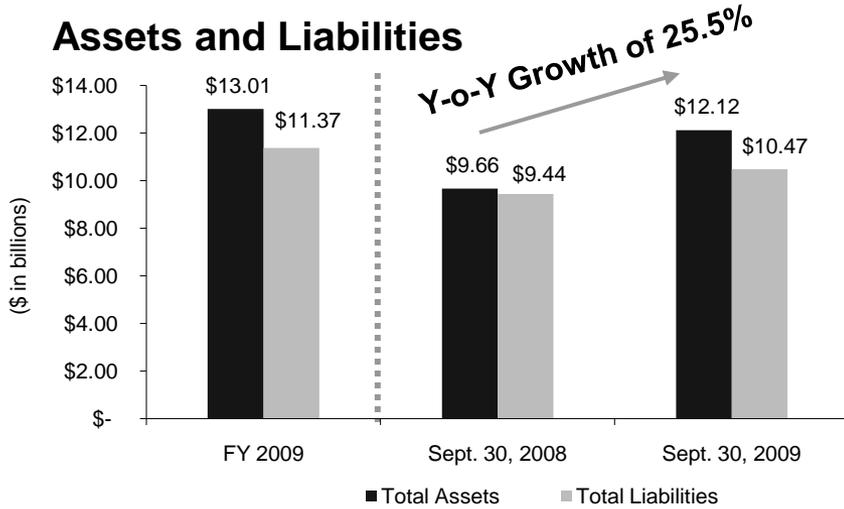
2. Financial Overview of GDB (Bank Level Only)

3. GDB Note Offerings

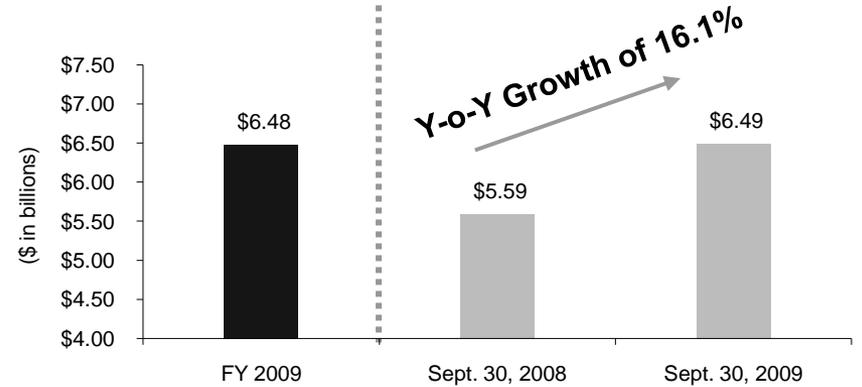


Financial Highlights

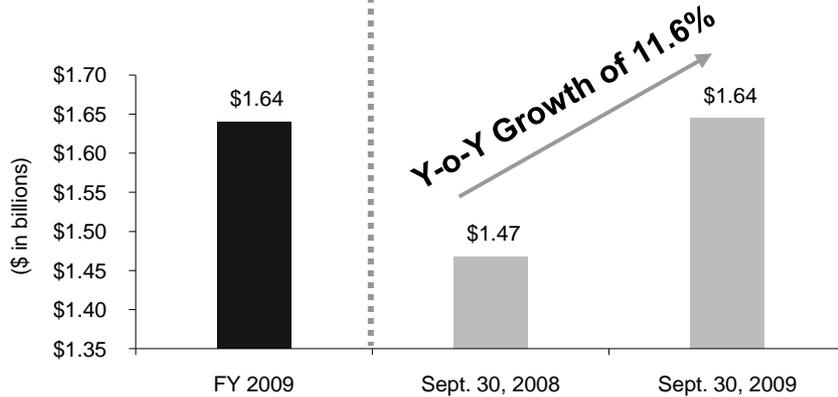
Assets and Liabilities



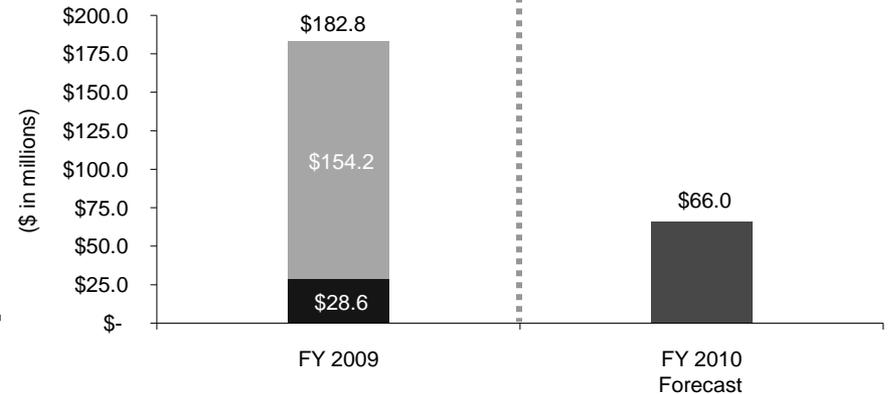
Loans



Capital



Change in Net Assets



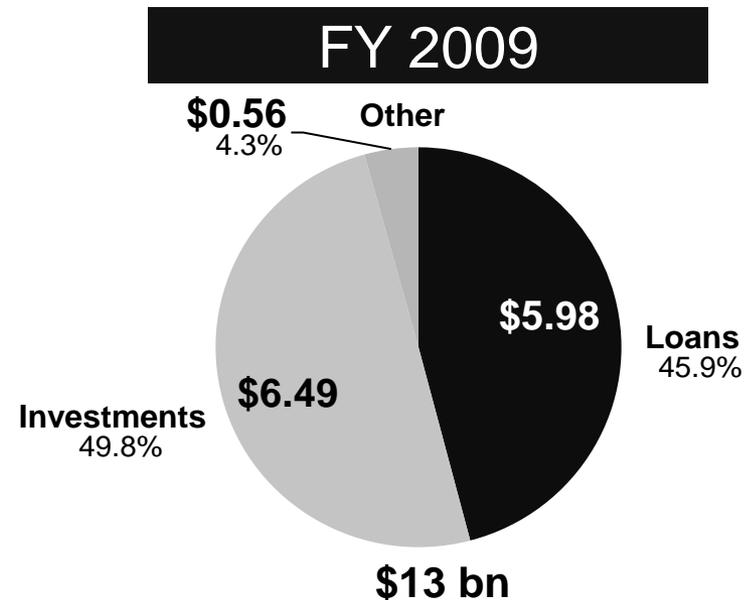
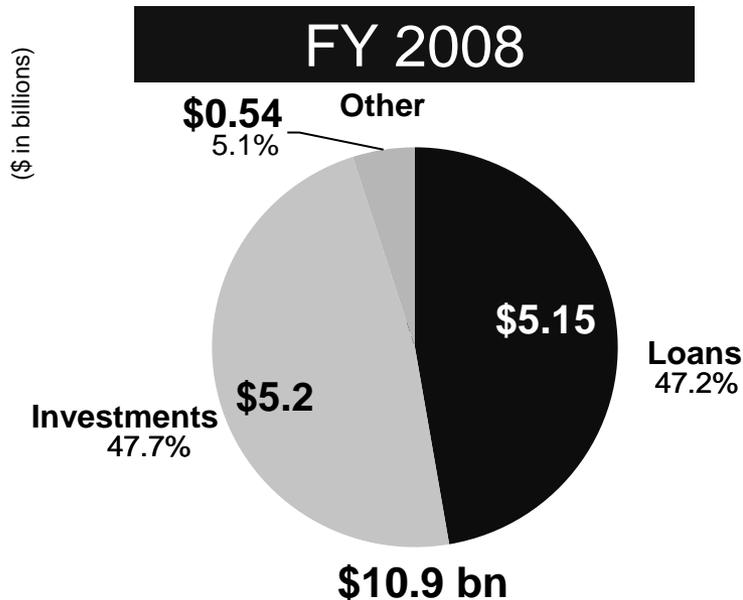
¹ Includes proceeds from the PRIFA Corpus restructuring (executed on January 2009). The transaction generated \$154.2 million (33.3%) to GDB and \$276.4 million (67.7%) to the Government's General Fund. Change in net assets, excluding this transaction, was \$28.6 million.



Asset Composition

Highlights

- The Bank maintains strong liquidity on its investment portfolio to provide the necessary resources to Government entities
- Total assets increased by 20% from FY 2008 to FY 2009
- Increase in loan portfolio mainly as a result of loans to PREPA, PRASA, PBA, PRHTA and PRPA
- Increase in investment portfolio mainly due to COFINA transaction

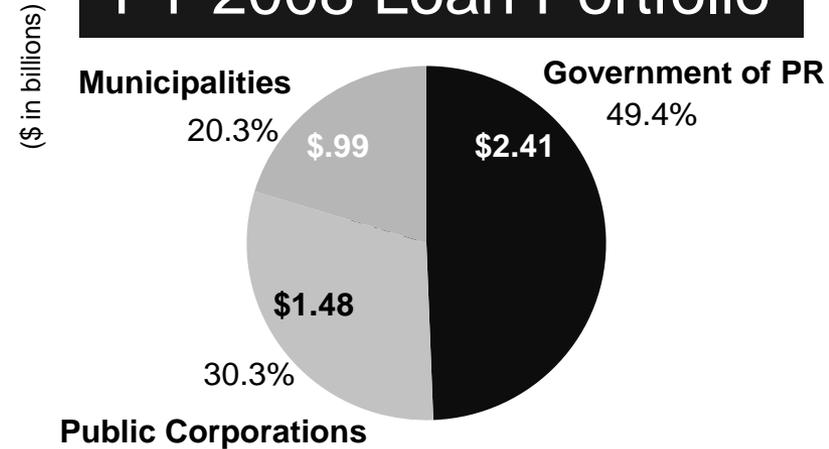




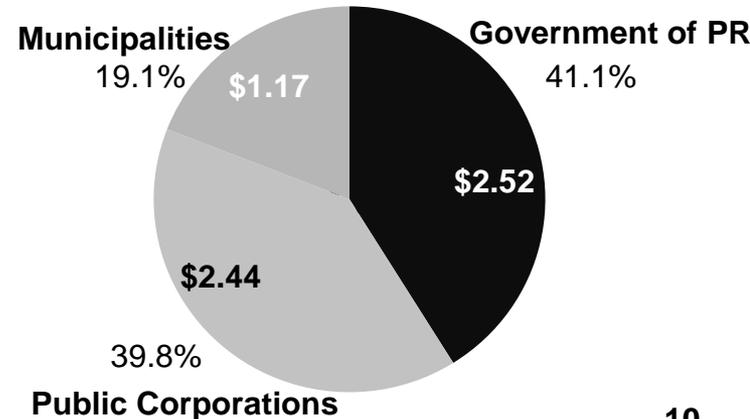
Lending Strategy

- Reduce loan concentration to Government of PR
- Implement stricter controls to public corporations through Fiscal Oversight Agreements to reduce risks associated with public corporations portfolio
- Implement pricing strategy for new and existing loans in order to reflect market rates and improve net interest margin
- Stricter financing parameters for municipal loans and continuous monitoring of municipalities' fiscal situation

FY 2008 Loan Portfolio



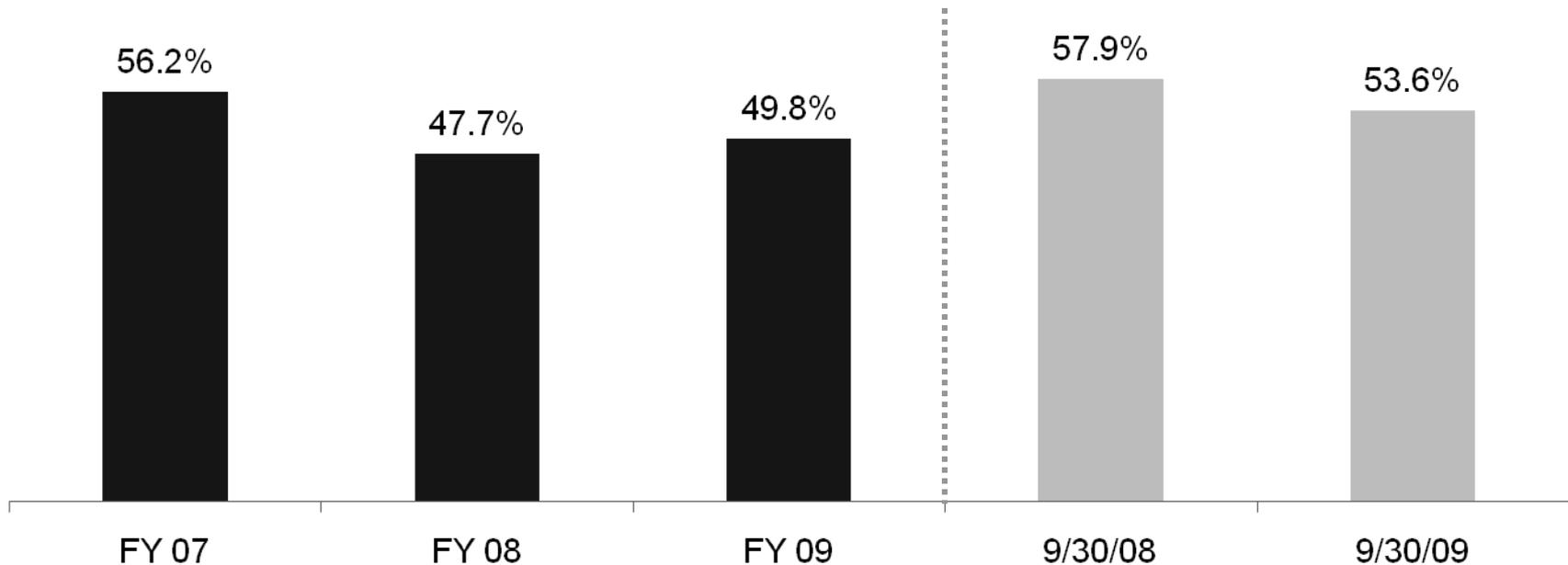
FY 2009 Loan Portfolio





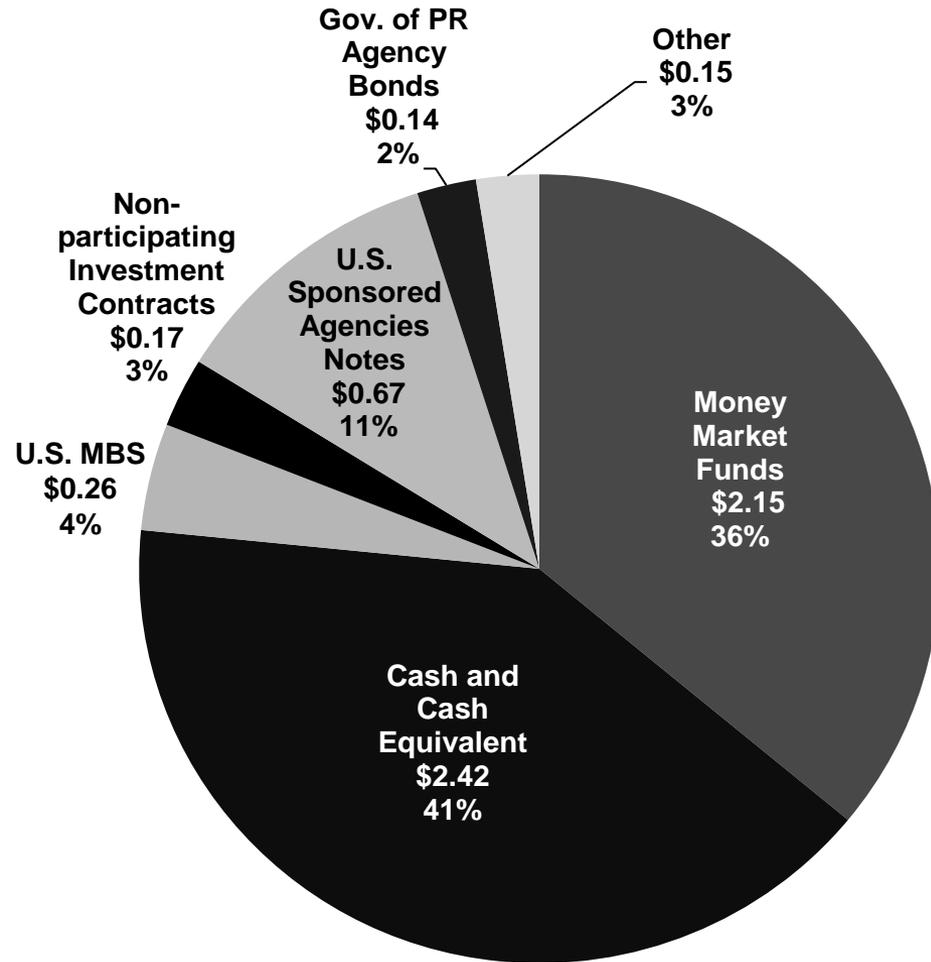
Loan to Asset Ratio

- **GDB's total loans to total assets ratio has decreased from 56.2% to 53.6% from FY 2007 to 9/30/09**
- **The Bank has restructured its balance sheet with the repayment of outstanding loans to the central government and its agencies through bond issues and refunding transactions**





Investment Portfolio Strategy



Strategy

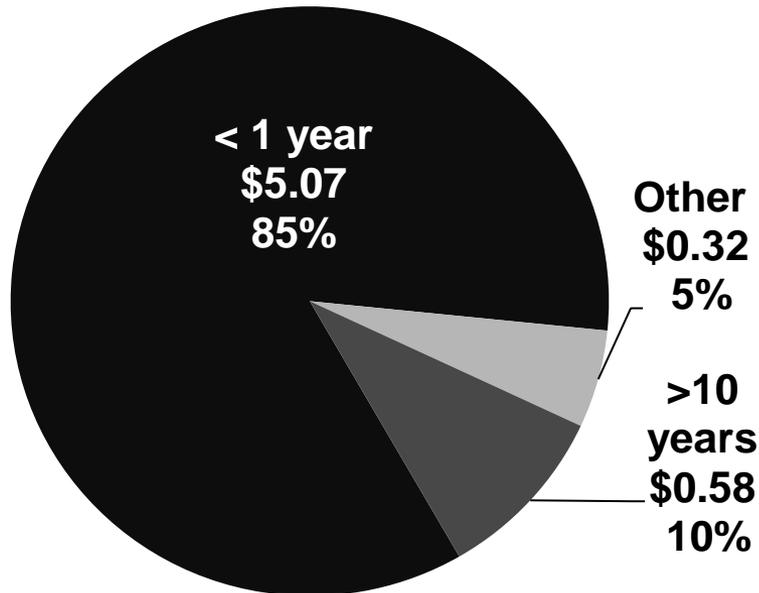
- The Bank strives to maintain a high level of liquidity through investments in short-term money market securities that account for more than 60% of its investment portfolio



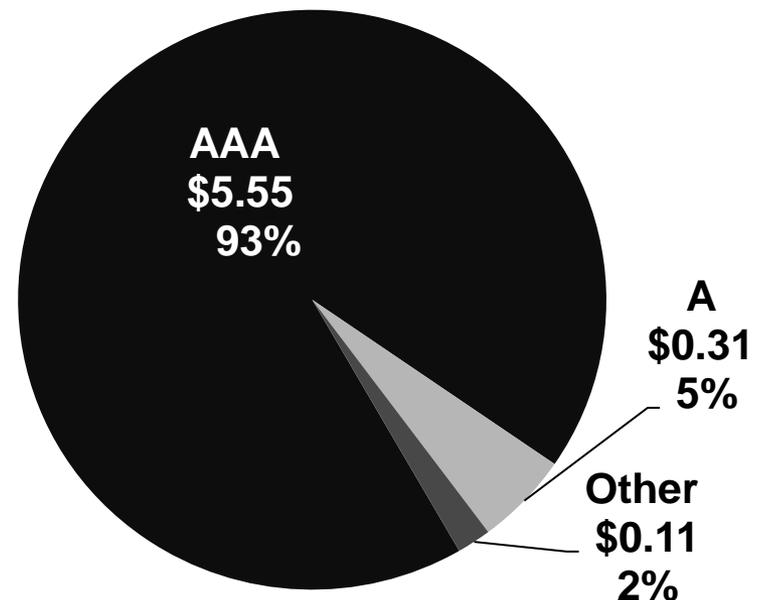
Investment Portfolio - Composition , Liquidity, Credit Risk Profile

- The Bank's investment portfolio mostly comprised of short-term money market and mortgage-backed & U.S. Agency securities that provide additional sources of funding
- High credit quality investment portfolio (93% AAA rated) and highly liquid (85% maturing under 1 year)

Liquidity Profile



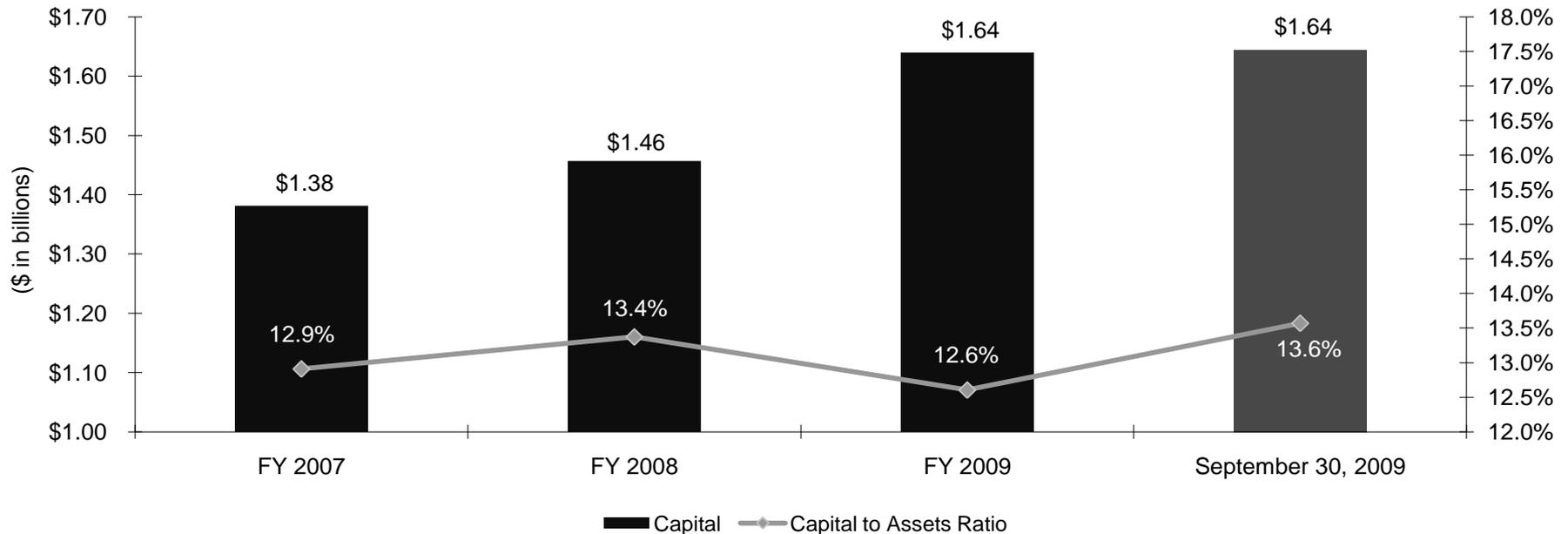
Credit Risk Profile





Capital Strategy

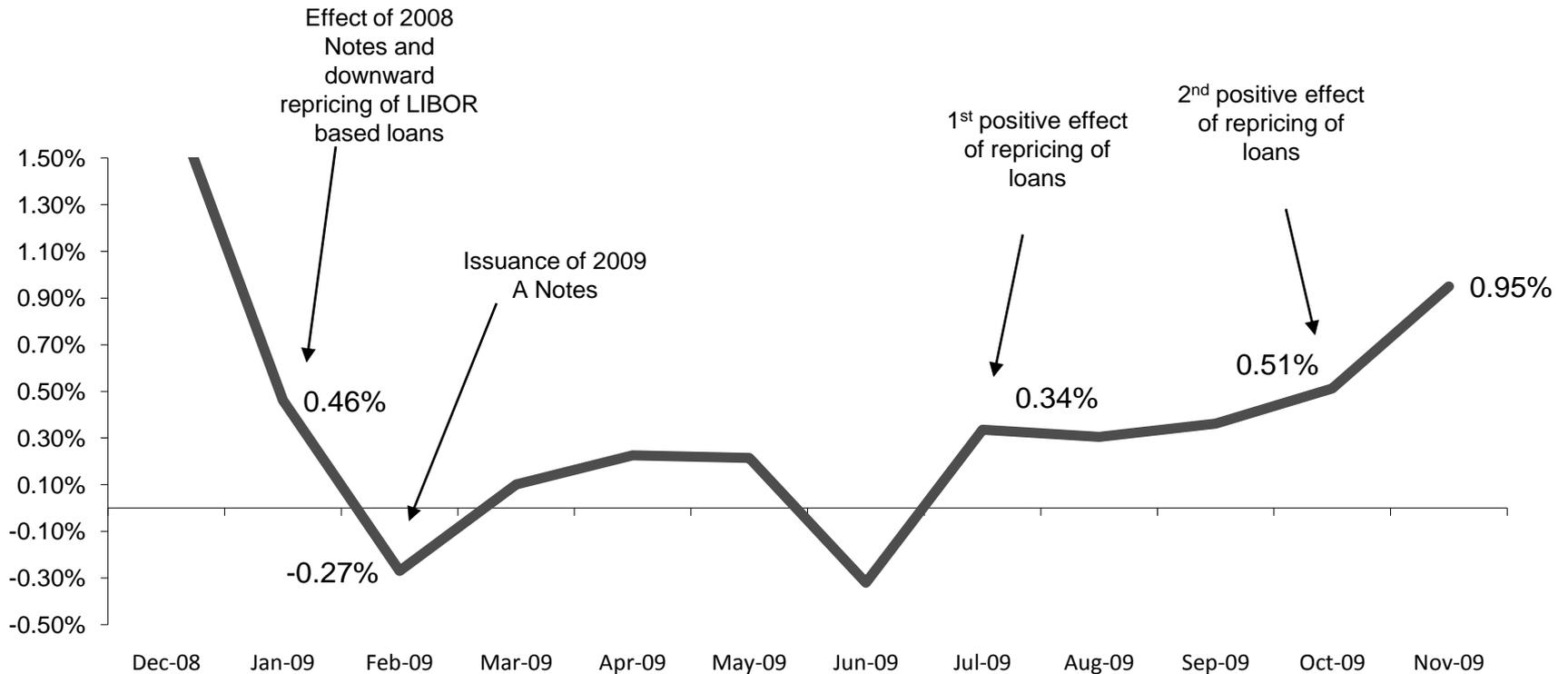
- Capital has grown consistently over the last three years
- The bank is committed to continue strengthening its capital base





Net Interest Margin

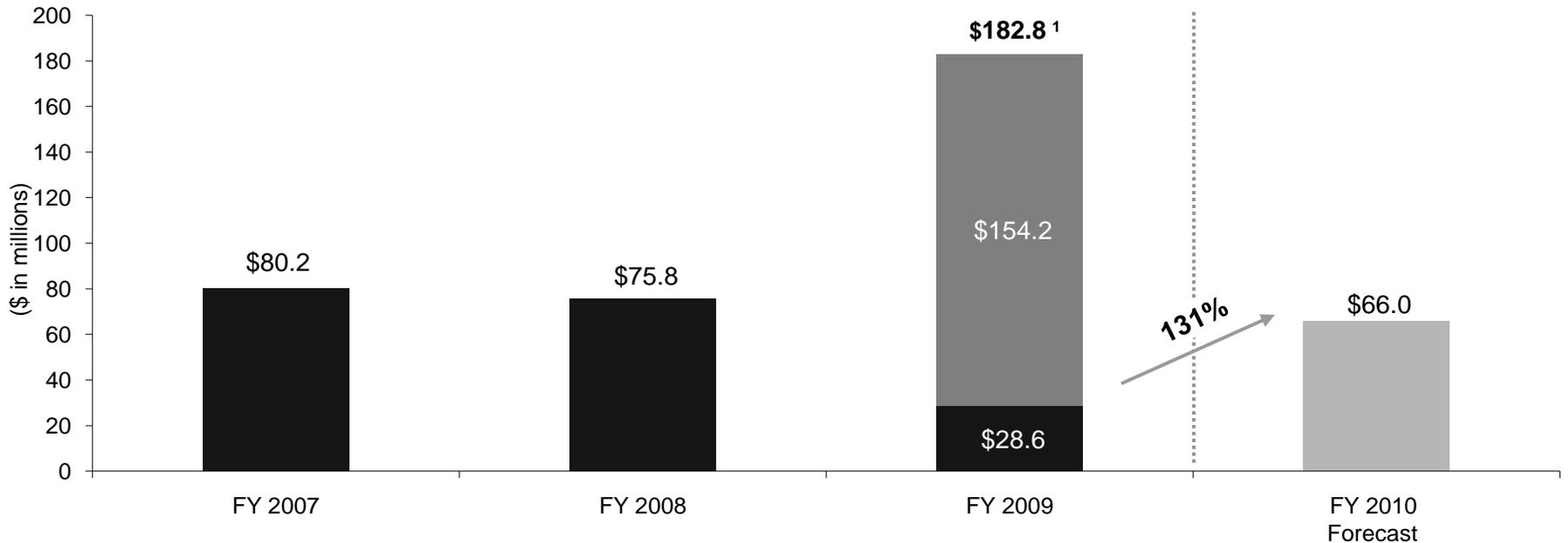
- Net interest margin has exhibited a positive trend during the past four months as a result of management's focus on improving profitability and strengthening the Bank's capital position





Change in Net Assets

- Significant increase in change in net assets in FY 2009 mainly due to the PRIFA Corpus restructuring
- As a result of management's focus in improving net interest margin, net assets are expected to continue showing positive trend in FY 2010 and beyond



¹ Includes proceeds from the PRIFA Corpus restructuring (collateral on sale of Puerto Rico Telephone Company). The transaction generated \$154.2 million (33.3%) to GDB and \$276.4 million (67.7%) to the Government's General Fund. Change in net assets, excluding this transaction, was \$28.6 million.



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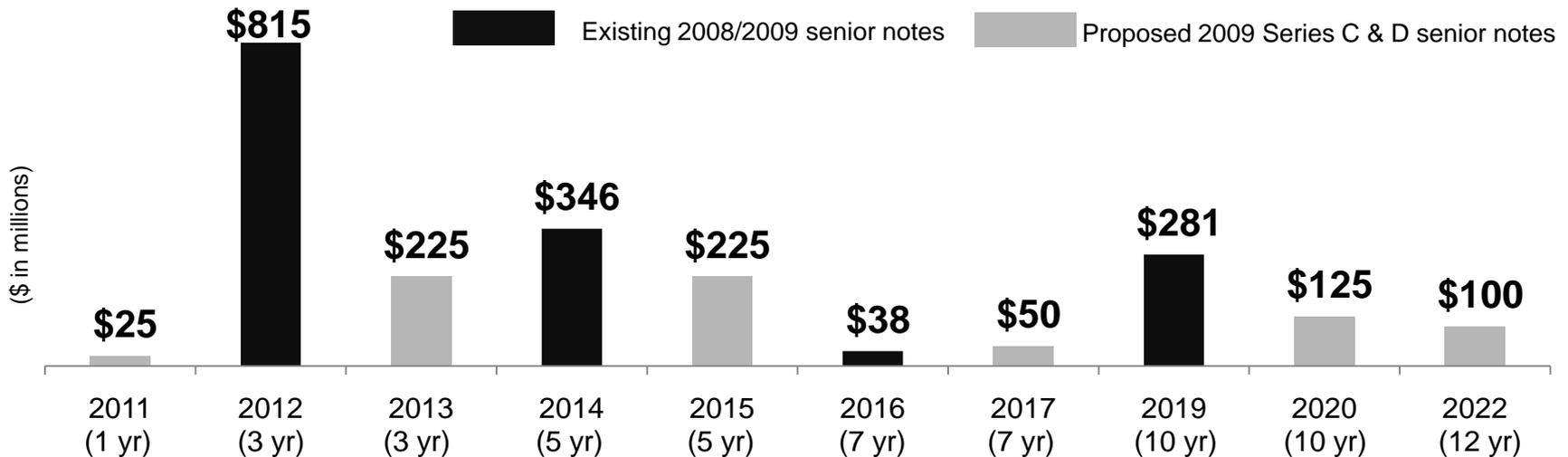
3. GDB Note Offerings



Summary of Note Offerings

- In 2006, the Bank established a medium-term note program to increase its investment portfolio and fund its loan portfolio
- MTN program issuances:
 - In 2006, the Bank issued 1.71 bn of senior notes in the local market and the U.S. 103 tax-exempt market (Series A, B & C).
 - In June 2008, the SWAP associated with the 2006 Series A senior notes was called and \$885 million of the Series A senior notes were redeemed
 - The 2008 Series A senior notes and B and 2009 Series A senior notes issuances replaced the 2006 Series A senior notes with total issuance of \$1.48 bn

Maturities of outstanding and proposed notes*



* Notes are callable starting on Feb 2010, and on every interest payment date thereafter



Indicative Summary of Terms*

- **Issuer:** Government Development Bank for Puerto Rico
- **Offering:** Senior Notes, 2009 Series C and 2009 Series D (the “Notes”)
- **Use of Proceeds:** The Bank will use the proceeds from the sale of the Notes for general corporate purposes, including but not limited to increasing its investment portfolio and making loans to, purchasing obligations of, the Commonwealth and its public corporations, instrumentalities and municipalities, and repaying certain outstanding debt
- **Optional Redemption:** The Notes will be subject to redemption prior to maturity at the option of the Bank, either in whole or in part as directed by the Bank, at a price equal to the principal amount to be redeemed plus accrued interest to the date of redemption, without premium, on February 1, 2011, and on a monthly basis thereafter on each interest payment date, subject to at least 30 days prior notice
- **Interest Payment Dates:** Interest on the Notes will be payable monthly on the first day of each month, commencing on February 1, 2010
- **Expected Rating:** "BBB" by S&P
- **Sinking Fund:** The Notes will not be subject to any sinking fund.
- **Form and Denominations:** The Notes will be issued in the form of fully registered notes, without coupons, in denominations of \$5,000 in principal amount and integral multiples of \$1,000 in excess thereof
- **Tax Matters:** The Notes and the interest thereon are exempt from state, Government of Puerto Rico and local income taxation. Under the provisions of existing federal statutes and regulations now in force, under certain circumstances, interest on the Notes will be exempt from United States federal income taxation to individuals who are bona fide residents of the Government of Puerto Rico and corporations organized under the laws of the Government of Puerto Rico. Interest on the Notes is included in gross income for United States federal income tax purposes
- **Book-Running Manager:** UBS Financial Services Incorporated of Puerto Rico
- **Co-Senior Managers:** Popular Securities; Santander Securities

* Preliminary, subject to change.



Preliminary Timetable

December 2009						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

January 2010						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Note: Shading and bold denotes holidays

DATE

ACTION

Week of December 14

Wednesday, December 16 ♦ Beginning of marketing period

Week of December 21

Tuesday, December 22 ♦ Pricing

Wednesday, December 23 ♦ Trade Date

Week of December 28

Wednesday, December 30 ♦ Closing – 2009 Series C Notes

Week of January 4

Friday, January 8 ♦ Closing – 2009 Series D Notes



Summary

- 1 GDB has strong liquidity and capital base
Most important – access to liquidity**
- 2 Maintain strong liquidity position and capital base to ensure market access**
- 3 GDB has earnings power**
- 4 In 2009, the PRIFA restructuring transaction allowed to increase capital and the COFINA transaction resulted in reduced exposure and added liquidity to central Government**
- 5 GDB has undertaken significant efforts to strengthen its fiscal agent role with additional controls and fiscal oversight agreements with public corporations and MOU's with principal agencies**
- 6 Net revenues of the Government of PR are above budget estimates**
- 7 Based on the GDB Economic Activity Index, the economy has shown signs of stabilization during the last 5 months**

GDB is a strong bank committed to its role as fiscal agent and to promote economic growth and fiscal discipline



Net revenues are on target with budget estimates

Revenue Categories (\$ millions)	Actual July - October		\$ Change	Estimate 2010	Actual vs. Estimate
	2009	2010			
Individuals	\$846	\$740	(\$106)	\$790	(\$50)
Corporations	\$486	\$520	\$35	\$489	\$32
Non-Resident Withholdings	\$278	\$266	(\$12)	\$255	\$11
Property Tax	\$0	\$48	\$48	\$12	\$36
Sales and Use Tax	\$157	\$0	(\$157)	\$0	\$0
Motor Vehicles	\$110	\$103	(\$7)	\$117	(\$14)
Alcoholic Beverages	\$85	\$82	(\$4)	\$88	(\$7)
Off-Shore Shipments of Rum	\$102	\$125	\$23	\$126	(\$1)
Other	\$289	\$316	\$26	\$290	\$26
Total	\$2,354	\$2,199	(\$155)	\$2,166	\$33

Adjustments for:

Property Tax*	\$0	\$48	\$48
Sales and Use Tax**	\$157	\$0	(\$157)
Total (including adjustments)	\$2,196	\$2,151	(\$45)

Revenues are slightly below previous year...

...yet they remain \$33 million above the budget

*Act 7-Temporary increase in property tax.

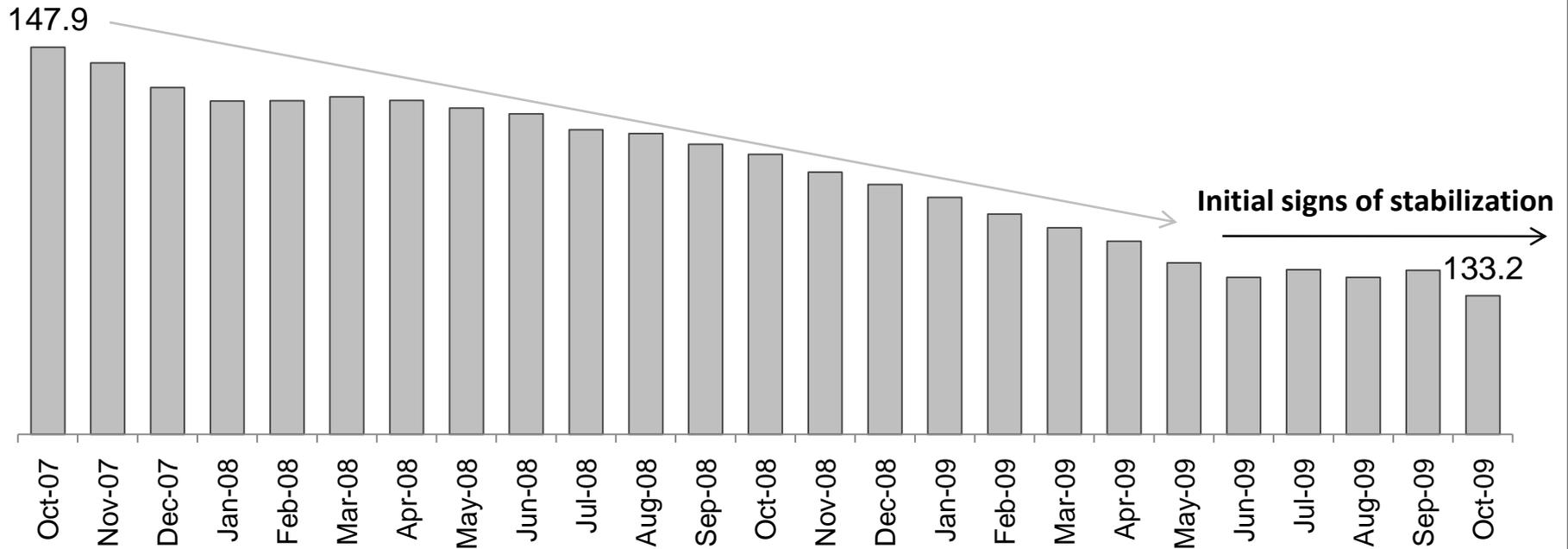
**Act 1-1% increase in SUT allocation to COFINA



GDB Economic Activity Index

The Index is revealing signs of stabilization in the Puerto Rico economy

GDB - Economic Activity Index



Source: GDB.

* The GDB Economic Activity Index (EAI) is published on a monthly basis, and it is 98% correlated to the GNP. It is made up of 4 indicators: Total Payroll Employment (Establishments Survey), Total Electric Power Consumption (MM of kW h), Total Cement Data (MM of Bags) and Gas Consumption (MM of Gallons). For more information about the indicators. The Economic Activity Index and its indicators are subject to monthly revisions. IR: Initial Revision, RT: Revised To



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