



May 8, 2015

## GDB ISSUES QUARTERLY COMMONWEALTH REPORT

**San Juan, P.R.** – Today, the Government Development Bank for Puerto Rico published its Quarterly Report of the Commonwealth of Puerto Rico as an update to the Commonwealth's Financial Information and Operating Data Report dated October 30, 2014 (the "Commonwealth Report").

Commenting on the update, Melba Acosta Febo, President of the GDB, stated "The Commonwealth Quarterly Report details the fiscal situation in Puerto Rico and highlights the importance of establishing an effective solution for our financial crisis. The Commonwealth has reached a critical moment, and unprecedented economic difficulties have contributed to rising budget deficits at all levels of government, including Puerto Rico's public corporations. As discussed in my testimony before Congress on Chapter 9 in February 2015, we believe it is critically important that Puerto Rico have the right to reorganize the debt of its public corporations in an orderly manner. I urge Congress to take action on Chapter 9, so that the Commonwealth has a means to provide essential government services and protect its stakeholders."

Key data from the Quarterly Report:

- Preliminary General Fund revenues for the first ten months of fiscal year 2015 (July of 2014 through April of 2015) were approximately \$7.335 billion, a year-over-year increase of \$61.6 million or 0.8%.
  - The Government projects that it will close fiscal year 2015 with a budget deficit of \$191 million. This is the result of an estimated revenue shortfall of \$651 million that is expected to be partially offset with certain new revenue measures, some of which have already been approved and implemented, and are estimated to generate approximately \$335 million and \$125 million in cuts in budgetary appropriations
  - The Commonwealth is in the process of preparing the budget for fiscal year 2016. As of April 30, 2015, the Treasury Department estimated non-recurring revenue of approximately \$625 million and additional non-recurring revenues for fiscal year 2015 of approximately \$185 million.
  - As of March 31, 2015, GDB's average cost of funding was 3.1% and the average life of its liabilities was 2.1 years.
  - As of March 31, 2015, \$267 million of GDB's Commonwealth guaranteed bonds were outstanding. No payments under the Commonwealth guaranty have been required for these bonds.
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- According to the Puerto Rico Planning Board's figures, made in April of 2015, Puerto Rico's real gross national product for fiscal years 2013 and 2014 decreased by 0.2% and 0.9%, respectively. The cumulative values for the monthly economic indicators for fiscal year 2015 indicate that the real gross national product for fiscal year 2015 could also show a decrease.
- Since January 2013, the Commonwealth has embarked on a comprehensive outreach strategy in order to diversify Puerto Rico's economic base, pursue niche strategies such as Aerospace/Aeronautics, and leverage its human capital and fiscal autonomy to attract new investment opportunities. The Government's goal is to protect Puerto Rico's manufacturing core while it transitions its economic ecosystem into a regional service and high technology industrial activities hub.
- On February 11, 2015, Puerto Rico Resident Commissioner Pedro Pierluisi introduced a bill in the U.S. Congress (H.R. 870) that would empower the government of Puerto Rico to authorize Puerto Rico municipalities and public corporations to restructure their debt obligations under Chapter 9 of the United States Bankruptcy Code, which currently applies to municipalities and public corporations of the 50 states, but excludes those of Puerto Rico. The Commonwealth and GDB support this amendment to the United States Bankruptcy Code and are lobbying in favor of H.R. 870.
- GDB, in its role as fiscal agent to the Commonwealth and its instrumentalities, has hired Conway MacKenzie, Inc., a U.S.-based consulting firm, to perform a liquidity analysis of the Commonwealth, assist with the implementation of measures to improve cash management and forecasting procedures, and provide assistance to the Puerto Rico Treasury Department in the development of short and medium-term cash flow projections.
- On February 5, 2015, Dr. Anne O. Krueger, Dr. Ranjit S. Teja and Dr. Andrew Wolfe, each of whom has previously occupied senior executive positions at the International Monetary Fund, were engaged at GDB's request by its counsel to analyze the Commonwealth's economic and financial stability and growth prospects.
- Litigation issues covered in the report include: Doral Financial Corporation's lawsuit against the Treasury Department, the United States District Court case regarding the constitutionality of the Puerto Rico Debt Enforcement and Recovery Act, and the case regarding the Employees Retirement System bond issuance.

The Commonwealth Report is available on the GDB's website: <http://www.gdbpr.com>

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***Forward-Looking Statements***

The information included in this statement contains certain forward-looking statements. These forward looking statements may relate to the fiscal and economic condition, economic performance, plans and objectives of the Commonwealth of Puerto Rico or its agencies or instrumentalities. All statements contained herein that are not clearly historical in nature are forward looking.

This statement is not a guarantee of future performance and involves certain risks, uncertainties, estimates, and assumptions by the Commonwealth and/or its agencies or instrumentalities that are difficult to predict. The economic and financial condition of the Commonwealth and its agencies or instrumentalities is affected by various financial, social, economic, environmental, and political factors. These factors can be very complex, may vary from one fiscal year to the next, and are frequently the result of actions taken or not taken, not only by the Commonwealth and/or its agencies or instrumentalities, but also by entities such as the government of the United States of America or other nations that are not under the control of the Commonwealth. Because of the uncertainty and unpredictability of these factors, their impact cannot, as a practical matter, be included in the assumptions underlying the Commonwealth's or its agencies or instrumentalities' projections.