



October 15, 2013

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO PROVIDES UPDATE ON FISCAL AND ECONOMIC DEVELOPMENT PROGRESS

San Juan – The Government Development Bank for Puerto Rico (GDB) hosted today a webcast presentation to provide an update on its fiscal and economic development progress.

The speakers participating in today's webcast were: Hon. Alejandro García Padilla, Governor of Puerto Rico; David Chafey, Chairman of the Board of the GDB; José Pagán Beauchamp, Interim President of the GDB; Melba Acosta Febo, Secretary of Treasury; Carlos Rivas, Director of the Office of Management and Budget; Alberto Bacó, Secretary, Department of Economic Development and Commerce; Antonio Medina, Executive Director of the Puerto Rico Industrial Development Company; and José Coleman-Tiό, Executive Vice President and General Counsel of the GDB.

The presentation materials cover the actions the GDB and the Commonwealth have taken to strengthen its credit and protect bondholders, an update on the Commonwealth's revenues and operating expenses, an update on the GDB's financial health, and a five-year plan for achieving a more diversified, knowledge-driven economy:

- By tackling the key challenges and enhancing and diversifying its revenue base, the Commonwealth's approved budget for FY2014 is expected to reduce the budget deficit from \$2.375 billion in FY2012 and a preliminary \$1.290 billion in FY2013 to \$820 million in FY2014. The next steps in the Commonwealth's fiscal plan include Teachers Retirement System reform and further deficit reduction, with the goal of a balanced budget by no later than FY2016.
- The Commonwealth's FY2014 General Fund budget projects revenue growth of \$1,740 million, largely from new tax measures, amendments to Act 154 and an expansion of the Sales and Use Tax (SUT) base. General Fund Q12014 (July-September) revenues of \$1,699 million increased by \$88 million compared to Q12013 and exceeded budget estimates for this period by \$10.4 million.

- The strength of GDB's balance sheet enables it to provide continued financial support to the Commonwealth, and it projects it will have the liquidity necessary to fund the Commonwealth's needs through the end of FY2014. Based on this, the GDB and the Commonwealth can choose not to access the capital markets during FY2014.
- GDB's capital markets plan for the remainder of the current calendar year includes between \$500 million and \$1.2 billion of debt, subject to market conditions. The Commonwealth and the GDB have the financial flexibility to adjust the financing plan and transaction calendar as necessary.
- With the enactment of Act 116-2013, the Sales and Use Tax percentage allocated to COFINA has been increased from 2.75 percent to 3.50 percent, increasing Puerto Rico's financing capacity. COFINA's credit is bolstered by strong legal protections for bondholders, including being secured by a stable stream of revenues not subject to "claw-back" by GO bondholders under the Puerto Rico Constitution. The Puerto Rico Secretary of Justice and US-based Bond Counsel have provided legal opinions for each COFINA transaction stating that the SUT is not subject to "claw-back," and will provide opinions for any new COFINA transactions. Legal opinions can be made available for review by existing and prospective bondholders.
- The presentation includes a description of the five-year economic plan developed by the Commonwealth, with the input of Boston Consulting Group, to support economic growth in the Commonwealth and enhance Puerto Rico's position as a competitive business and investment destination, resulting in thousands of new jobs and sustainable, long-term economic growth. Puerto Rico aims to create more than 90,000 jobs and \$6 billion to \$7 billion in incremental GDP by the beginning of 2016 and more than 130,000 jobs and \$10 billion to \$12 billion in incremental GDP by the beginning of 2018. The Commonwealth is focused on developing its positioning in five priority sectors: Life Sciences, Knowledge Services, Tourism, SMEs and Agriculture.

The full presentation materials, as well as the Commonwealth Report, which was published today, are available on the GDB's website: <http://www.gdb-pur.com> and on EMMA: <http://emma.msrb.org>.

A replay of the webcast will be available on the GDB's website in the coming days.

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