



COMMONWEALTH OF
PUERTO RICO

Government Development Bank
for Puerto Rico

PRESS RELEASE

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September 10, 2013

Government Development Bank for Puerto Rico Comments on Recent Market Activity and Revised Financing Plan

San Juan, P.R.- In response to the prices at which the public debt of the Commonwealth of Puerto Rico and its instrumentalities has been trading recently, José V. Pagán, Interim President of the Government Development Bank for Puerto Rico (“GDB”), reaffirmed the strength of Puerto Rico’s credit and emphasized the Administration’s commitment to fiscal and economic reform.

Pagán underscored the tough decisions taken by the Commonwealth of Puerto Rico to tackle long-term structural challenges and reduce the structural budget deficit, and believes that recent trading activity ignores what has been accomplished thus far: “This Administration is extremely proud of its fiscal reform record and the progress it has achieved in such a short time; we do not believe that current market activity accurately reflects the progress made.” “The fact is that Puerto Rico has taken enormous and politically difficult steps in past eight months to tackle generational problems. We do not believe that any other major U.S. jurisdiction has been so ambitious and successful, Pagán added.”

Pagán outlined some of the achievements of the past eight months: “Puerto Rico has delivered on its long-standing promise of enacting a meaningful and comprehensive pension reform, it has begun to transform our principal public corporations into self sufficient entities and it has significantly reduced the budget deficit in just one year. There should be no concern whatsoever that this Administration has the political will to tackle difficult problems and that it will continue to do so in the upcoming months.” Pagán placed emphasis on measures designed to tackle economic growth: “During these pasts eight months, Puerto Rico has not only put into place immediate job creation initiatives such as the Jobs Now Act, which provide new opportunities for companies to access new incentives like grants, tax exemptions and energy consumptions credits, but it also has a strategic plan to create jobs and stimulate economic growth.”

With respect to the yields at which Puerto Rico is trading, Pagán emphasized that Puerto Rico continues to be affected by the ripples created by the Detroit municipal bankruptcy, which has raised borrowing costs for all issuers of municipal debt, not just Puerto Rico. However, Pagán believes that Puerto Rico’s public debt is being evaluated incorrectly. “Puerto Rico’s capacity to service its public debt is being unfairly compared to that of the fifty states without taking into consideration Puerto Rico’s fiscal autonomy, in particular, that its residents are not required to pay federal income taxes and thus do not carry the federal debt burden, which state-side taxpayer do.” In addition, the market fails to recognize the strength of Puerto Rico General Obligation Bond's first claim on General Fund revenues, which sets them apart from most other General Obligation bonds, especially Detroit's. Finally, there continues to be

concern about Commonwealth's Employee Retirement System, even though the cash flow needs of the System have been addressed.

Given the challenging market for municipal debt, Pagán highlighted actions taken during the past months to strengthen the liquidity position of Puerto Rico and the GDB: “The issuance of bond anticipation notes amounting to \$800M with private banks during the past two months, along with privately-placed Tax and Revenue Anticipation Notes amounting to an additional \$600 million, provide the GDB and the Commonwealth additional liquidity to meet their ongoing obligations.” “The successful placement of these securities demonstrates the confidence the financial community has in the Commonwealth of Puerto Rico and the GDB”, Pagán added.

Pagán indicated that the GDB is closely monitoring market conditions and is currently reevaluating its financing plan for the calendar year. “In light of the volatility in the market and the private transactions that we have recently closed, we expect to scale down our plan of financing for the rest of the year. While we originally expected to issue an amount of debt consistent with historic levels for the GDB and the Commonwealth, we now expect that our financing plan will be limited to issuances that expect to raise an aggregate amount of proceeds in the \$500 million to \$1,200 million range, subject, of course, to prevailing market conditions.” Pagán stated that the GDB is currently evaluating all alternatives and that it expects to hold an event open to all investors in the next few weeks to discuss in detail the Commonwealth’s fiscal and economic plan, as well as the GDB’s plan of financing. At such event, investors will be able to directly ask questions to the member’s of the Commonwealth’s fiscal and economic team.

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