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/ Subject to Common Interest Agreement / Working Draft



GOVERNMENT OF PUERTO RICO
Government Development Bank for
Puerto Rico



Government Development Bank for Puerto Rico

New Fiscal Plan

San Juan, Puerto Rico

March 21, 2018

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GOVERNMENT OF PUERTO RICO
Government Development Bank for
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I. Background and Context

Background and Context

Overview

- GDB was originally created to aid the Government in the performance of its fiscal duties and to more effectively carry out its responsibility to develop the economy of Puerto Rico.
- Over time, GDB evolved and its role expanded to include, among other services, acting as a financing backstop for fiscal losses of the Government, its Agencies, Municipalities, and Public Corporations.
- GDB was also called upon to provide financial support during periods of financial distress, leveraging its strong credit rating, reputation, access to the capital markets and its constructive relationship with the investment community to provide financial support to troubled public entities and assist them in regaining financial stability.
- Due to the expansion of services over time and a confluence of other decisions and actions, in recent years GDB found itself immersed in a fiscal and viability crisis.
- The loss of its investment grade rating in 2014, the resulting loss of market access, and the decision by the Government to default on appropriation debt in 2015, left GDB with significant non-performing assets, limited available liquidity, and the inability to repay its debts as they came due.
- With the fiscal challenges affecting GDB, AAFAF was created to assume the roles of fiscal agent, financial advisor, and disclosure agent of the Government.
- Given the reduced services that GDB was providing since 2016, an important question was asked and answered – Could GDB be restructured, become a viable going concern, and reinstate its past activities? A careful review of information and circumstances in early 2017, and the exclusion of appropriations to GDB in the Government’s fiscal plan, made it clear there was no clear path to achieve long term viability for GDB.⁽¹⁾
- Early in 2017, GDB’s leadership concluded that an orderly wind-down of its operations and consensual negotiations with its creditors would be the optimal path to mitigate the impact to its stakeholders (municipalities, depositors, and other creditors, etc.).

(1) Analysis and assessment based on unaudited financial information.

Background and Context

Overview

- GDB’s operational wind-down is scheduled to be completed by March 23, 2018, with all fundamental operations having ceased or transferred to other entities (i.e. AAFAF, EDB, etc.) and workforce restructuring completed with minimal “at will” staffing needed to conclude legal and operational matters through FY2019.
- GDB, as a legally responsible entity is anticipated to resolve (i) outstanding legal matters and claims that exist or may be asserted against GDB and (ii) certain public entity loans that will remain at GDB and for which GDB shall have a contractual duty to the Recovery Authority to use reasonable efforts to maximize proceeds and assign such proceeds, if any, to the Recovery Authority.
- The Restructuring Support Agreement (“RSA”), as amended, between AAFAF, GDB and a significant portion of GDB’s financial creditors was originally announced on May 15, 2017 consists of:
 - *The RSA contemplates that GDB’s assets will be assigned to two separate entities: GDB Recovery Authority for the benefit of GDB’s financial creditors consisting of bondholders, municipal depositors, and non-government entity depositors (the “Recovery Authority”) and a Public Entity Trust (“PET”) for the benefit of other depositors that are net creditors of GDB (“Government Entity Depositors”).*
 - *GDB will continue to exist as a legal entity with operational activity limited to resolving certain outstanding legal matters and managing the resolution strategy of certain public entity loans the proceeds of which, if any, will be assigned to the Recovery Authority, pursuant to the terms of the RSA.*
 - *The RSA (as the same is expected to be amended as herein after discussed) is expected to be consummated pursuant to a consensual restructuring of GDB’s long-term obligations through a Title VI Qualifying Modification.*
 - *Once approved by the RSA Requisite Bondholders, the FOMB and the US District Court (Puerto Rico), the Restructuring (as defined in the RSA) will provide GDB’s stakeholders a recovery based on the performance of the underlying assets.*
- AAFAF, GDB and a significant portion of GDB’s financial creditors have agreed, in principle, to amend the RSA to reflect a simplified structure with one security offered to Participating Bond Claims (as defined in the RSA) and applying off all municipal deposits against corresponding municipal loans, where applicable.
- GDB’s New Fiscal Plan (“Plan”) incorporates the RSA terms and legislative framework established pursuant to the GDB Restructuring Act No. 109-2017, as the same is to be amended to reflect the transaction as described herein (the “GDB Restructuring Act”), resolving the mechanism by which projected cash flow will be allocated to the Recovery Authority, and pre-determined cash amounts will be allocated at closing to cover certain expenses associated with the management of the PET and remaining matters of GDB.

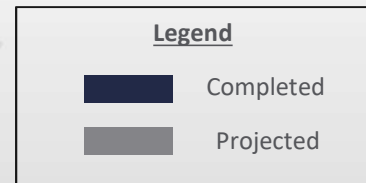
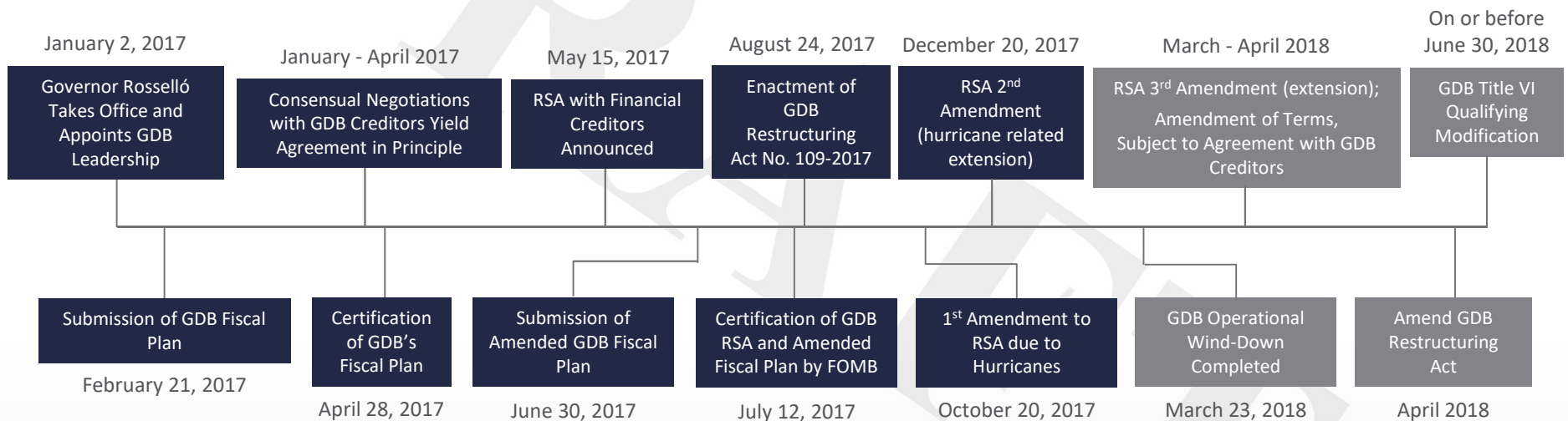


Background and Context

Accomplishments Since January 2017

Since the beginning of 2017, GDB’s management, under the leadership of Governor Ricardo Rosselló Nevares, has achieved considerable progress in the measures set out in the restructuring and wind-down process of GDB.

Summary of Accomplishments



Background and Context

GDB Snapshot⁽¹⁾

Balance Sheet: Key Assets

| (\$000s) | 12/31/2017 |
|-----------------------------|------------------|
| Unrestricted Cash | 307,858 |
| Loans | |
| Municipal | 2,417,877 |
| Public Sector | 6,252,187 |
| Private/Other | 803 |
| Adjustments ^(a) | (2,504,721) |
| Total Loan Portfolio | 6,166,146 |
| REO Assets | 62,517 |
| Key Assets | 6,536,522 |

Balance Sheet: Key Liabilities

| (\$000s) | 12/31/2017 |
|-------------------------------|------------------|
| Outstanding Balances | |
| Deposits | 3,548,994 |
| Accrued Interest | 8,204 |
| Total Deposit Balance | 3,557,198 |
| GDB Notes | 3,764,944 |
| Accrued Interest | 252,039 |
| Total GDB Note Balance | 4,016,983 |
| Key Liabilities | 7,574,182 |

204 Total Employees (1/31/17)
110 Union – 73 General – 21 Appointed

96 Total Employees (12/31/17)
50 Union – 38 General – 8 Appointed

6 Total Employees (3/31/18)
6 Appointed

(a) GDB 12/31/2017 unaudited financial data.

Current Objective / Services Provided

- All fundamental operating activities have ceased as of March 23, 2018.
- Service existing loan portfolio pursuant to the terms of the RSA through consummation of the Title VI Qualifying Modification.
- Continue a transparent and orderly sale of real estate assets through the consummation of the Title VI Qualifying Modification.

(1) Unaudited
Source: GDB





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II. Title VI Transaction Overview

Title VI Transaction Overview

Transaction Timeline

May 15, 2017

AAFAF and GDB executed the RSA with a significant portion of GDB's financial creditors, which became effective pursuant to its terms on May 17, 2017.

June 19, 2017

AAFAF and GDB announced that parties representing over 50% of GDB's Participating Bond Claims (as defined in the RSA) had signed the RSA.

July 14, 2017

FOMB authorized GDB to restructure its debts under Title VI of PROMESA.

August 24, 2017

Act 109-2017 (GDB Restructuring Act) enacted, establishing the legislative framework for the restructuring of GDB's obligations under a Title VI Qualifying Modification.

September 2017

Hurricanes Irma and María impacted Puerto Rico causing catastrophic damage to the island, with estimated \$94bn* in damages.

Due to the effects of the hurricanes, loss of communication, impairment to municipal revenues and liquidity, and the impact to GDB real estate owned assets, AAFAF, GDB and the RSA Requisite Bondholders agreed on revising certain RSA milestones.

October 20, 2017

The first milestone for completion of solicitation process was delayed, providing a 60 day extension through December 20, 2017.

December 20, 2017

The extended first milestone for completion of the solicitation process was further delayed an additional 90 days through March 20, 2018.

March 2018

AAFAF, GDB, and a significant portion of GDB's financial creditors have agreed, in principle, on certain amendments to the RSA structure resulting in:

- Simplified structure (one security offered to Participating Bond Claims).
- All municipal deposits will be applied against corresponding municipal loans to provide cash flow relief to municipalities to mitigate near-term impact of hurricanes.

* External damage estimates; subject to revision



Title VI Transaction Overview

RSA Summary (including the proposed amendments)

- RSA is consistent with the previously certified GDB Fiscal Plan, as it contemplates the conclusion of the orderly wind-down of GDB and a Title VI Qualifying Modification for the restructuring of GDB's Participating Bond Claims.
- RSA contemplates dividing GDB's assets into (i) the Recovery Authority for the benefit of bondholders, municipal depositors, and non-government entity depositors, and (ii) the PET for the benefit of other Government Entity Depositors.
- GDB will continue to exist as a legal entity for the purpose of resolving (i) outstanding legal matters and claims that exist or may be asserted by or against GDB and (ii) certain public entity loans that will remain at GDB and for which GDB shall have a contractual duty to the Recovery Authority to use reasonable efforts to maximize proceeds and assign such proceeds, if any, to the Recovery Authority (pursuant to the terms of the RSA and the GDB Restructuring Act).
- GDB and the PET will be pre-funded at the time of closing of the Restructuring (as defined in the RSA) and will not require further financial assistance from the Recovery Authority, the PET or the Government.
- Prior to the closing of the Restructuring, GDB will (i) adjust loan balances by undisbursed deposits consisting of municipal loan proceeds applied against corresponding loans, (ii) adjust municipal loan balances by all remaining municipal deposits applied against corresponding loan types, and (iii) provide accelerated application of public entity deposits to non-performing loans where applicable and pursuant to the GDB Restructuring Act.
- At closing, all holders of Participating Bond Claims (as defined in the RSA) will exchange their claims for New Bonds (as defined in the RSA).

Management and Trust Structure Summary

- On or prior to the closing of the transaction, pursuant to the terms of the RSA and the GDB Restructuring Act, each as amended, available cash will be distributed as follows: Approximately (i) \$21mm for payment to certain municipalities of the Excess CAE Settlement (in accordance with the RSA and GDB Restructuring Act); (ii) \$27.2mm for estimated operating cash and contingency requirements of GDB; (iii) transaction costs (including legal and professional fees and contemplated settlements); (iv) \$1.5mm for estimated operating cash requirements of the PET; and (v) distributable cash to the Recovery Authority (~\$324mm). All amounts are subject to change.
- Upon closing of the Restructuring, GDB will transfer the servicing of the Recovery Authority assets (or the New Bond Collateral, as defined in the RSA) to a third party servicer approved by GDB.



Title VI Transaction Overview

Pre-Transaction

Pro-Forma Allocation Pre-Transaction

Asset Summary

| Pre Transaction - Key Assets | | GDB - Key Assets | | Recovery Authority - Key Assets | | PET - Key Assets | |
|------------------------------|---------------------|--|---------------------|---------------------------------|---------------------|--------------------------|-------------------|
| Post Setoff | | Post Setoff | | Post Setoff | | Post Setoff | |
| (\$000s) | 6/30/2018 | (\$000s) | 6/30/2018 | (\$000s) | 6/30/2018 | (\$000s) | 6/30/2018 |
| Unrestricted Cash | \$ 433,565 | Unrestricted Cash⁽¹⁾ | \$ 107,765 | Unrestricted Cash | \$ 324,258 | Unrestricted Cash | \$ 1,542 |
| <u>Loans</u> | | <u>Public Sector Loans⁽²⁾</u> | <u>1,141,012</u> | <u>Loans</u> | | <u>Loans</u> | |
| Municipal | 1,349,561 | Loan Portfolio | 1,141,012 | Municipal | 1,349,561 | Appropriations | 905,492 |
| Public Sector | 4,264,127 | REO Assets | - | Public Sector | 3,123,115 | Loan Portfolio | 905,492 |
| Appropriations | 905,492 | Key Assets | \$ 1,248,777 | Private | 803 | Key Assets | \$ 907,034 |
| Private Loans | 803 | | | Loan Portfolio | 4,473,479 | | |
| Loan Portfolio | 6,519,983 | | | REO Assets | 43,636 | | |
| REO Assets | 43,636 | | | Key Assets | \$ 4,841,374 | | |
| Key Assets | \$ 6,997,184 | | | | | | |

- (1) Includes estimated transaction and settlement related costs (actual costs will vary).
(2) Public Sector Loans that will remain at GDB with proceeds, if any, assigned to the Recovery Authority.

Liability Summary

| Pre Transaction - Key Liabilities | | GDB - Key Liabilities* | | Recovery Authority - Key Liabilities* | | PET - Key Liabilities* | |
|-----------------------------------|---------------------|--|-----------|---------------------------------------|---------------------|------------------------------|-------------------|
| Post Setoff | | Post Setoff | | Post Setoff | | Post Setoff | |
| (\$000s) | 6/30/2018 | (\$000s) | 6/30/2018 | (\$000s) | 6/30/2018 | (\$000s) | 6/30/2018 |
| <u>Outstanding Balances</u> | | GDB will retain the rights to control loans of 13 Public Entities totaling \$1.141bn in outstanding principal balances. The net proceeds generated from these loans, if any, are assigned to the Recovery Authority. | | <u>Outstanding Balances</u> | | <u>Outstanding Balances</u> | |
| Muni Deposits | \$ 79,839 | | | Muni Deposits | \$ 79,839 | Public Entity Deposits | \$ 507,065 |
| NGE Deposits | 365,522 | | | NGE Deposits | 365,522 | Total Deposit Balance | 507,065 |
| Public Entity Deposits | 507,065 | | | Total Deposit Balance | 445,361 | | |
| Total Deposit Balance | 952,426 | | | GDB Notes | 3,765,922** | Key Liabilities | \$ 507,065 |
| GDB Notes | 3,765,922 | | | Total GDB Note Balance | 3,765,922 | | |
| Total GDB Note Balance | 3,765,922 | | | Key Liabilities | \$ 4,211,283 | | |
| Key Liabilities | \$ 4,718,348 | | | | | | |

*To show allocation of the Key Assets and Key Liabilities, before giving effect to any modification of such assets or liabilities pursuant to the restructuring, as between the Recovery Authority, GDB, and the PET.

**Excludes accrued interest on the GDB notes, which are part of the Recovery Authority liabilities.

Source: GDB

Note: All financial data is unaudited and subject to change.



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III. New Fiscal Plan

New Fiscal Plan

Approach and Assumptions

- The Plan is based on the projected performance of GDB's existing loan asset portfolio, based on recent historical results.
- Based on the assessment of GDB's loan portfolio⁽¹⁾ and the information available post-Hurricanes Irma and María, the Plan assumes currently performing municipal loans (after the corresponding application of municipal deposits against municipal loans), certain public sector loans, and the sale of real estate owned assets are the only sources of revenue going forward.
- To the extent a loan asset is “non-performing”, the Plan assumes such loan remains “non-performing” and therefore would not be a source of future inflows, although GDB, or any successor entity, reserves the right to pursue collection efforts, subject to the limitations imposed by the GDB Restructuring Act.
- The Plan assumes the continued orderly sale or other legally available disposition of real estate owned assets, until such assets are transferred to the Recovery Authority per the terms of the RSA.
- As of March 23, 2018, GDB's management expects to have completed the wind-down of GDB's fundamental operations, with substantially all employees separating or transferring from GDB. The Plan reflects ongoing activity at GDB limited to servicing and pursuing resolution strategies of certain public entity loans with any proceeds assigned to the Recovery Authority and resolving outstanding legal matters.
- The Plan assumes GDB and the PET are funded at the closing of the Restructuring with sufficient funds to complete their respective responsibilities without further financial assistance from the Recovery Authority, the PET or the Government.
- As permitted by the RSA, GDB has segregated approximately \$22mm in cash, corresponding to GDB's obligations to former GDB employees that retired pursuant to various pre-retirement and voluntary separation programs. Promptly after the certification of the Plan, GDB shall transfer such funds to a new trust to be constituted by GDB for the benefit of said retired employees, releasing GDB from such obligations.
- The Plan is consistent with the Government's fiscal plan and other covered entity fiscal plans (all pending FOMB certification).

(1) As of December 31, 2017 - Unaudited

New Fiscal Plan

Financial Projections – Combined Recovery Authority, PET and GDB

Government Development Bank

Fiscal Plan - Fund Flows

Projections assume Title VI Transaction Close on June 30, 2018.

| (\$000s) | Fiscal 2018 | Fiscal 2019 | Fiscal 2020 | Fiscal 2021 | Fiscal 2022 | Fiscal 2023 | Total |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Recovery Authority Inflows | 1,053 | 195,378 | 144,728 | 149,438 | 154,267 | 155,664 | 800,528 |
| PET Inflows | 0 | 3 | 1 | 0 | 0 | 0 | 4 |
| GDB Inflows | 217,124 | 17 | 4 | 1 | 0 | 0 | 217,145 |
| Total Cash Inflows | 218,176 | 195,397 | 144,734 | 149,439 | 154,267 | 155,664 | 1,017,678 |
| Recovery Authority Outflows | 1,103 | 9,925 | 9,693 | 8,782 | 8,608 | 8,447 | 46,559 |
| PET Outflows | 260 | 500 | 520 | 526 | - | - | 1,806 |
| GDB Outflows | 32,133 | 24,725 | 1,810 | 681 | - | - | 59,348 |
| Total Cash Outflows | 33,496 | 35,150 | 12,023 | 9,990 | 8,608 | 8,447 | 107,714 |
| Net Cash Flows | 184,680 | 160,248 | 132,710 | 139,450 | 145,659 | 147,217 | 909,964 |
| Beginning Cash Balance | 244,371 | 352,995 | 29,383 | 5,254 | 4,044 | 4,042 | 244,371 |
| <i>Net Cash Flows</i> | 184,680 | 160,248 | 132,710 | 139,450 | 145,659 | 147,217 | 909,964 |
| <i>Transaction Costs</i> | (80,571) | - | - | - | - | - | (80,571) |
| <i>Cash Funding (Disbursements)</i> | 4,514 | (483,859) | (156,840) | (140,659) | (145,661) | (147,324) | (1,069,828) |
| Ending Cash Balance | 352,995 | 29,383 | 5,254 | 4,044 | 4,042 | 3,936 | 3,936 |

Source: GDB. Financial projections are based on unaudited financial data provided by GDB.

Notes:

FY2018 beginning cash balance and transaction costs are estimates and are subject to change. Title VI Transaction closing assumed on or about June 30, 2018.



New Fiscal Plan

GDB Financial Projections

Government Development Bank
Fiscal Plan - Fund Flows - GDB

Projections assume Title VI Transaction Close on June 30, 2018.

| (\$000s) | Fiscal 2018 | Fiscal 2019 | Fiscal 2020 | Fiscal 2021 | Total |
|--|----------------|-----------------|----------------|----------------|----------------|
| Loan Asset Portfolio Receipts | 214,339 | - | - | - | 214,339 |
| REO Asset Sales | 1,801 | - | - | - | 1,801 |
| Interest on Cash | 984 | 17 | 4 | 1 | 1,006 |
| GDB Inflows | 217,124 | 17 | 4 | 1 | 217,145 |
| Personnel Related Expenses | 13,369 | 1,031 | - | - | 14,399 |
| Other Operating Expenses | 18,764 | 23,694 | 1,810 | 681 | 44,949 |
| Total Operating Outflows | 32,133 | 24,725 | 1,810 | 681 | 59,348 |
| Net Cash Flows | 184,991 | (24,708) | (1,806) | (680) | 157,797 |
| Beginning Cash Balance | 244,371 | 27,194 | 2,486 | 680 | 244,371 |
| <i>Net Cash Flows</i> | 184,991 | (24,708) | (1,806) | (680) | 157,797 |
| <i>Transaction Costs</i> | (80,571) | - | - | - | (80,571) |
| <i>Proceeds of Public Sector Loans for Benefit of Recovery Authority</i> | 1,019 | 8,777 | 14,055 | 14,007 | 37,858 |
| <i>Cash Funding (Disbursements)</i> | (322,615) | (8,777) | (14,055) | (14,007) | (359,455) |
| Ending Cash Balance | 27,194 | 2,486 | 680 | - | - |

Note: Unused cash held by GDB, if any, will be disbursed to the Recovery Authority after a period to be determined in the definitive documents of the Title VI Qualifying Modification.

GDB - Key Assets

| Post Setoff | 6/30/2018 |
|---|---------------------|
| (\$000s) | |
| Unrestricted Cash | \$ 27,194 |
| <i>Public Sector Loans</i> ⁽¹⁾ | <u>1,141,012</u> |
| Loan Portfolio | 1,141,012 |
| REO Assets | - |
| Key Assets | \$ 1,168,206 |

GDB - Key Liabilities

Post Setoff

GDB will retain the rights to control loans of 13 Public Entities totaling \$1.141bn in outstanding principal balances. The net proceeds generated from these loans, if any, are assigned to the Recovery Authority.

Source: GDB; unaudited financial data is subject to change.

Note: Differs from assets on unaudited balance sheet.

(1) Public Sector Loans that will remain at GDB with proceeds, if any, assigned to the Recovery Authority.



New Fiscal Plan

Recovery Authority Financial Projections

Government Development Bank
Fiscal Plan - Fund Flows - Recovery Authority

Projections assume Title VI Transaction Close on June 30, 2018.

(\$000s)

| | June 2018 | Fiscal 2019 | Fiscal 2020 | Fiscal 2021 | Fiscal 2022 | Fiscal 2023 | Total |
|---------------------------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Municipal Loans | - | 142,808 | 130,630 | 135,394 | 140,271 | 141,823 | 690,925 |
| REO Asset Sales | - | 43,636 | - | - | - | - | 43,636 |
| Interest on Cash | 34 | 157 | 43 | 37 | 38 | 39 | 349 |
| Proceeds of Public Sector Loans | 1,019 | 8,777 | 14,055 | 14,007 | 13,958 | 13,803 | 65,619 |
| Recovery Authority Inflows | 1,053 | 195,378 | 144,728 | 149,438 | 154,267 | 155,664 | 800,528 |
| Personnel Related Expenses | 82 | 992 | 1,002 | 1,013 | 1,026 | 1,042 | 5,158 |
| Other Operating Expenses | 70 | 778 | 709 | 717 | 726 | 737 | 3,737 |
| Trust Servicing Fee | 636 | 5,521 | 5,354 | 4,431 | 4,249 | 4,064 | 24,256 |
| Tax Reporting Consultant | 100 | 202 | 204 | 206 | 209 | 212 | 1,133 |
| Indenture Trustee Fees | 3 | 10 | 10 | 10 | - | - | 33 |
| Collateral Monitor | 112 | 1,322 | 1,302 | 1,281 | 1,260 | 1,237 | 6,515 |
| Other Professional & Legal Fees | 100 | 1,100 | 1,111 | 1,123 | 1,138 | 1,155 | 5,727 |
| Total Operating Outflows | 1,103 | 9,925 | 9,693 | 8,782 | 8,608 | 8,447 | 46,559 |
| Net Cash Flows | (51) | 185,453 | 135,035 | 140,656 | 145,659 | 147,217 | 753,969 |
| Beginning Cash Balance | - | 324,258 | 25,852 | 4,047 | 4,044 | 4,042 | - |
| Net Cash Flows | (51) | 185,453 | 135,035 | 140,656 | 145,659 | 147,217 | 753,969 |
| Cash Funding (Disbursements) | 324,309 | (483,859) | (156,840) | (140,659) | (145,661) | (147,324) | (750,033) |
| Ending Cash Balance | 324,258 | 25,852 | 4,047 | 4,044 | 4,042 | 3,936 | 3,936 |

Recovery Authority - Key Assets

| Post Setoff | 6/30/2018 |
|--------------------------|---------------------|
| (\$000s) | |
| Unrestricted Cash | \$ 324,258 |
| Loans | |
| Municipal | 1,349,561 |
| Public Sector | 3,123,115 |
| Private | 803 |
| Loan Portfolio | 4,473,479 |
| REO Assets | 43,636 |
| Key Assets | \$ 4,841,374 |

Recovery Authority - Key Liabilities

| Post Setoff Pre-Transaction | 6/30/2018 |
|-------------------------------|---------------------|
| (\$000s) | |
| Outstanding Balances | |
| Muni Deposits | \$ 79,839 |
| NGE Deposits | 365,522 |
| Total Deposit Balance | 445,361 |
| GDB Notes ⁽¹⁾ | 3,765,922 |
| Total GDB Note Balance | 3,765,922 |
| Key Liabilities | \$ 4,211,283 |

Recovery Authority - Key Liabilities

| Post Setoff Post-Transaction | 6/30/2018 |
|-------------------------------|---------------------|
| (\$000s) | |
| Outstanding Balances | |
| Muni Deposits | \$ 43,912 |
| NGE Deposits | 201,037 |
| Total Deposit Balance | 244,948 |
| GDB Notes ⁽¹⁾ | 2,071,257 |
| Total GDB Note Balance | 2,071,257 |
| Key Liabilities | \$ 2,316,206 |

Source: GDB; unaudited financial data is subject to change.

Note: Differs from assets on unaudited balance sheet.

(1) Does not include accrued interest.



New Fiscal Plan

PET Financial Projections

Government Development Bank

Fiscal Plan - Fund Flows - PET

Projections assume Title VI Transaction Close on June 30, 2018.

| (\$000s) | June 2018 | Fiscal 2019 | Fiscal 2020 | Fiscal 2021 | Total |
|-------------------------------------|--------------|----------------|----------------|----------------|----------------|
| Public Entity Trust Collections | - | - | - | - | - |
| Interest on Cash | 0 | 3 | 1 | - | 4 |
| Total Operating Inflows | 0 | 3 | 1 | - | 4 |
| Indenture Trustee Fees | 10 | - | 10 | 10 | 31 |
| Contingent Legal Fees | - | 500 | 255 | 258 | 1,013 |
| Servicing Fees | 250 | - | 255 | 258 | 763 |
| Total Operating Outflows | 260 | 500 | 520 | 526 | 1,806 |
| Net Cash Flows | (260) | (497) | (519) | (526) | (1,802) |
| Beginning Cash Balance | - | 1,542 | 1,045 | 526 | - |
| <i>Net Cash Flows</i> | (260) | (497) | (519) | (526) | (1,802) |
| <i>Transaction Flows</i> | - | - | - | - | - |
| <i>Cash Funding (Disbursements)</i> | 1,802 | - | - | - | 1,802 |
| Ending Cash Balance | 1,542 | 1,045 | 526 | - | - |

Note: Unused cash balance held at PET will be disbursed to Recovery Authority after a period to be determined in definitive documents of the Title VI Qualifying Modification. Trust is set up at transaction closing (assumed 6/30/18) and all prior cash flows are distributed at closing.

PET - Key Assets

Post Setoff

(\$000s)

| | 6/30/2018 |
|--------------------------|-------------------|
| Unrestricted Cash | \$ 1,542 |
| <u>Loans</u> | |
| <i>Appropriations</i> | 905,492 |
| Loan Portfolio | 905,492 |
| Key Assets | \$ 907,034 |

PET - Key Liabilities

Post Setoff

(\$000s)

| | 6/30/2018 |
|-------------------------------|-------------------|
| <u>Outstanding Balances</u> | |
| <i>Public Entity Deposits</i> | \$ 507,065 |
| Total Deposit Balance | 507,065 |
| Key Liabilities | \$ 507,065 |

Source: Government Development Bank; unaudited financial data is subject to change.

Note: Differs from Assets on unaudited balance sheet.



New Fiscal Plan

Inflows Approach and Assumptions – Combined Recovery Authority, PET and GDB

The Plan assumes projected inflows from assets including (a) cash and cash equivalents, (b) loan portfolio assets, and (c) sale of real estate assets based on GDB’s unaudited balance sheet as of December 31, 2017.

| Item | Assumption |
|--------------------------------|--|
| Cash on Hand ⁽¹⁾ | Assumes all cash on hand post transaction closing costs will revert to the Recovery Authority with pre-funded balances for both GDB and the PET. GDB and PET will not require further funding from the Recovery Authority or any other government agency or instrumentality after closing. |
| <u>Loan Assets:</u> | |
| Municipality Loans | Assumes the municipalities will pay their currently performing loans as contracted, with balances adjusted downward through an application of all available municipal deposits against corresponding loans (by loan type). Based on the repayment structure, safeguards of municipal obligations, historical performance, <u>and the overall reduction in debt service and outstanding loan balances due to the application of all municipal deposits, where applicable, no impairments on future cash flows have been assumed.</u> |
| Public Sector Loans | Assumes debt service payments on four loans ⁽²⁾ will continue based on a review of historical performance and collateral and adjustments to loan terms, where applicable. For all other remaining loans, Plan assumes no debt service will be collected, although rights to pursue collection efforts are reserved, <u>subject to the limitations imposed by the GDB Restructuring Act.</u> |
| Private Loans | Assumes no debt service on private loans will be collected. |
| <u>Other Assets:</u> | |
| Real Estate Owned (REO) Assets | Assumes real estate assets are sold through a public Request for Proposals (“RFP”) process. |

(1) Cash on hand is subject to revision.

(2) Includes two loans with CRIM, one loan with Economic Development Bank, and one loan with Servicios Medicos Universitarios.

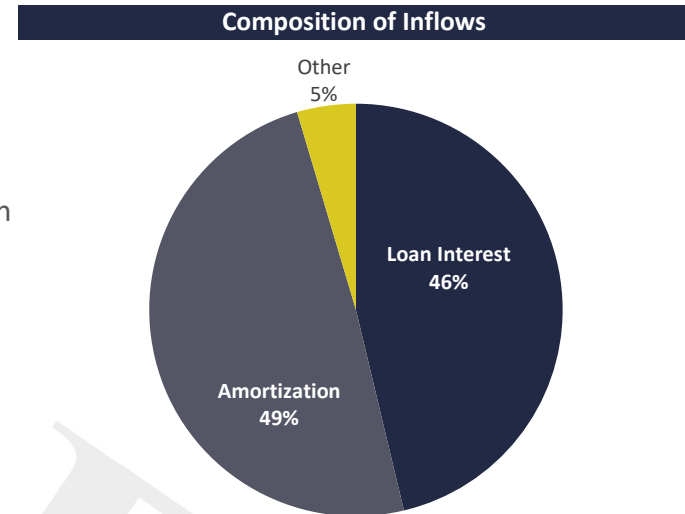


New Fiscal Plan

Summary of Inflows (FY2018 - FY2023) – Combined Recovery Authority, PET and GDB

The Plan projects \$1.0bn of Total Cash Inflows to be collected during the projection period primarily comprised of loan portfolio collections.

- Appropriation Loans: Generate no cash flow pursuant to Government’s certified fiscal plan of March 13, 2017, as amended.
- Municipal Loans: Generate \$881.8mm of cash flow over the Plan’s projection period. Cash flows are based on contracted interest and amortization schedules for currently performing municipal loans.
- Public Sector Loans: Generate \$75.4mm of cash flow over the Plan’s projection period. Cash flows are based on four loans that are projected to perform based on historical trends and loan terms, as may be adjusted.



Government Development Bank Summary of Cash Inflows

| (\$000s) | Fiscal 2018 | Fiscal 2019 | Fiscal 2020 | Fiscal 2021 | Fiscal 2022 | Fiscal 2023 | Total |
|---|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| <u>Inflows from Loan Portfolio</u> | | | | | | | |
| Total Appropriation Loans | - | - | - | - | - | - | - |
| Total Municipal Loans | 204,578 | 142,808 | 130,630 | 135,394 | 140,271 | 141,823 | 895,503 |
| Total Public Sector Loans | 10,780 | 8,777 | 14,055 | 14,007 | 13,958 | 13,803 | 75,380 |
| Total Loan Inflows | 215,358 | 151,585 | 144,685 | 149,401 | 154,228 | 155,626 | 970,882 |
| <u>Other Inflows</u> | | | | | | | |
| Interest on Cash | 1,018 | 176 | 49 | 38 | 38 | 39 | 1,358 |
| REO Asset Sales | 1,801 | 43,636 | - | - | - | - | 45,437 |
| Total Cash Inflows | 218,176 | 195,397 | 144,734 | 149,439 | 154,267 | 155,664 | 1,017,678 |

Source: GDB; unaudited financial data is subject to change.



New Fiscal Plan

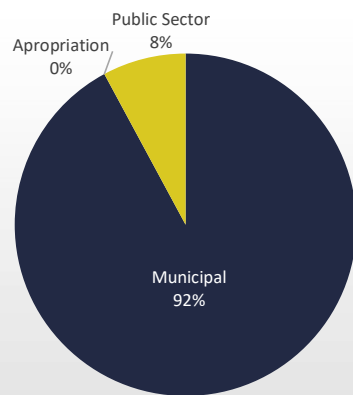
Detail of Loan Portfolio Inflows (FY2018 - FY2023) – Combined Recovery Authority, PET and GDB

Government Development Bank for Puerto Rico
Fiscal Plan - Cash Inflows from Loan Portfolio

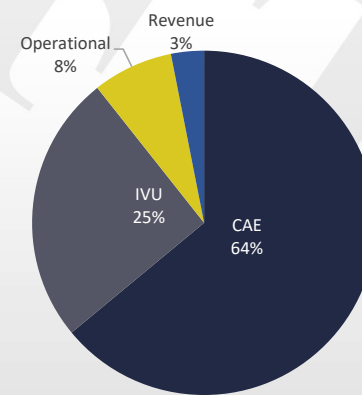
Post Setoff

| (\$000s) | Fiscal 2018 | Fiscal 2019 | Fiscal 2020 | Fiscal 2021 | Fiscal 2022 | Fiscal 2023 | Total |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <u>Municipal Portfolio Cash Flows</u> | | | | | | | |
| CAE | 135,333 | 91,070 | 82,524 | 85,688 | 88,504 | 91,179 | 574,298 |
| IVU | 46,234 | 35,963 | 34,335 | 35,704 | 37,555 | 36,204 | 225,996 |
| Operational | 17,868 | 11,132 | 9,419 | 9,619 | 9,750 | 9,897 | 67,685 |
| Revenue | 5,142 | 4,642 | 4,352 | 4,384 | 4,461 | 4,543 | 27,524 |
| Municipal Portfolio | 204,578 | 142,808 | 130,630 | 135,394 | 140,271 | 141,823 | 895,503 |
| Appropriation | - | - | - | - | - | - | - |
| Public Sector Loans | 10,780 | 8,777 | 14,055 | 14,007 | 13,958 | 13,803 | 75,380 |
| Cash Flow From Loan Portfolio | 215,358 | 151,585 | 144,685 | 149,401 | 154,228 | 155,626 | 970,882 |

Total Loan Portfolio by Cash Inflow



Municipal Portfolio by Cash Inflow



Source: GDB; unaudited financial data is subject to change.

New Fiscal Plan

Real Estate Owned (REO) Assets

- GDB owns a portfolio of real estate assets, the majority of which were transferred to GDB in exchange for a \$150mm loan on December 30, 2008 used by the central government to cover a portion of the FY2008-2009 deficit. The source of repayment for the \$150mm loan was expected to come from the sale proceeds of the properties; however, previous sales efforts have been inconsistent and have yielded unsatisfactory results.
- GDB REO Management and Disposition Working Group Committee has operated with the objective of managing and selling REO properties through an open, transparent, and orderly process since calendar year 2017.
- GDB engaged a commercial real estate broker to assist in the property preservation and sales efforts.
- Since August 2017, substantially all of GDB's real estate owned portfolio has been marketed for sale through several sales channels, including a dedicated website, property signage and RFPs.
- Sales and marketing efforts were interrupted by Hurricanes Irma and María, but have recently restarted, with the successful sale of one property in December and several others currently being subject of bids through recent RFP processes.
- The overall sales strategy and disposition values have been adjusted to reflect the projected impact of the Hurricanes Irma and María, and assumes an orderly sale or transfer to the Recovery Authority of all such assets by the end of fiscal year 2019.

New Fiscal Plan

Outflows Approach and Assumptions – Combined Recovery Authority, GDB, and PET

The Plan assumes projected outflows consisting of operational expenses deemed necessary to complete the operational wind-down of GDB, adjusted for inflation per the Government’s draft fiscal plan.

| Item | Assumption |
|----------------------------------|--|
| Payroll and Benefits | Workforce restructuring will be completed on March 23, 2018 with a reduction of 97% in the number of employees when compared to January 2017. |
| GDB Board Legal/Admin Expenses | Assumes reasonable legal, administrative, and D&O insurance expenses for GDB Board of Directors through FY2021. |
| Facilities and Servicing (MOUs) | Assumes rent and utilities, servicing and back office fees will be paid through FY2021, as necessary under Memorandum of Understandings (“MOU”) with pertinent agencies (AAFAF/EDB). Unspent cash will be disbursed to the Recovery Authority pursuant to the RSA. |
| Other Operating Outflows | Assumes only critical operating expenses (audit; operating reserves) to be reduced throughout the projection period. |
| Professional and Legal Fees | Assumes legal and financial professionals necessary to complete the wind-down and restructuring transaction. Unspent cash will be disbursed to the Recovery Authority pursuant to the RSA. |
| Legal and Operating Contingency | Assumes estimates of contingency to account for claims asserted by or against GDB. |
| Recovery Authority Servicing Fee | Portfolio servicing fee assumed to be 20bps of the Recovery Authority AUM (performing loans) paid semiannually from cash flows produced by the Recovery Authority Bond Collateral (as defined in the RSA). Subject to change. |

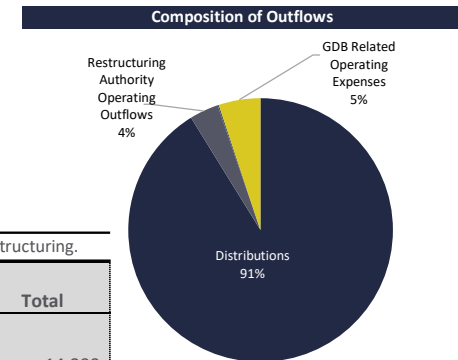


New Fiscal Plan

Summary of Outflows (FY2018 - FY2023) – Combined Recovery Authority, GDB, and PET

The Plan projects \$1.2bn of Total Cash Outflows during the projection period.

- **Distributions:** Distributable cash flow is projected to be \$1.1bn through the projection period and will be allocated among GDB’s creditors pursuant to the terms of the RSA.



**Government Development Bank
Summary of Cash Outflows**

Note: Operating outflows are subject to further adjustments arising from the restructuring.

| (\$000s) | Fiscal 2018 | Fiscal 2019 | Fiscal 2020 | Fiscal 2021 | Fiscal 2022 | Fiscal 2023 | Total |
|---|---------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Government Development Bank | | | | | | | |
| Payroll and Benefits | 13,369 | 1,031 | - | - | - | - | 14,399 |
| GDB Board Legal and Administrative Expenses | - | 300 | 50 | 51 | - | - | 401 |
| D&O Insurance | 435 | 727 | 500 | 506 | - | - | 2,168 |
| Servicing and Backoffice Support MOU (EDB) | - | 80 | - | - | - | - | 80 |
| Facilities and Services MOU | 5,617 | 87 | - | - | - | - | 5,704 |
| Legal Fees | 7,033 | 2,000 | 1,010 | - | - | - | 10,043 |
| Professional Services | 4,116 | 1,500 | - | - | - | - | 5,616 |
| Legal and Operating Contingency | 125 | 17,800 | - | - | - | - | 17,925 |
| Other Operating Outflows | 1,437 | 1,200 | 250 | 125 | - | - | 3,012 |
| Total Operating Outflows | 32,133 | 24,725 | 1,810 | 681 | - | - | 59,348 |
| Recovery Authority | | | | | | | |
| Personnel Expenses | 82 | 992 | 1,002 | 1,013 | 1,026 | 1,042 | 5,158 |
| D&O Insurance | 54 | 657 | 663 | 670 | 679 | 689 | 3,412 |
| Facilities | 4 | 45 | 46 | 46 | 47 | 48 | 236 |
| Other Operating Expenses | 13 | 76 | - | - | - | - | 88 |
| Legal Fees | - | 1,000 | 1,010 | 1,021 | 1,034 | 1,050 | 5,115 |
| External Auditor | 100 | 100 | 101 | 102 | 103 | 105 | 612 |
| Servicing Fees | 851 | 7,055 | 6,871 | 5,929 | 5,717 | 5,513 | 31,937 |
| Total Operating Outflows | 1,103 | 9,925 | 9,693 | 8,782 | 8,608 | 8,447 | 46,559 |
| Public Entity Trust | | | | | | | |
| Indenture Trustee | 10 | - | 10 | 10 | - | - | 31 |
| Contingent Legal Fees | - | 500 | 255 | 258 | - | - | 1,013 |
| Servicing Fees | 250 | - | 255 | 258 | - | - | 763 |
| Total Operating Outflows | 260 | 500 | 520 | 526 | - | - | 1,806 |
| Distributions | (4,514) | 483,859 | 156,840 | 140,659 | 145,661 | 147,324 | 1,069,828 |
| Total Outflows | 28,982 | 519,009 | 168,863 | 150,648 | 154,269 | 155,771 | 1,177,542 |



New Fiscal Plan

Debt Sustainability Analysis

The Plan contemplates a restructuring of GDB's obligations pursuant to a Title VI Qualifying Modification.

Government Development Bank Senior Unsecured Notes - Summary of Pre-Restructuring Obligations

| (\$ millions) | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------------------|------------|------------|------------|------------|------------|-----------|
| GDB Available Cash Flow | (5) | 484 | 157 | 141 | 146 | 147 |
| <u>Contractual Debt Service</u> | | | | | | |
| Principal | 277 | 848 | 432 | 434 | 143 | 47 |
| Interest | 140 | 123 | 79 | 55 | 46 | 43 |
| Total Contractual Debt Service | 417 | 971 | 512 | 488 | 189 | 91 |

Upon the completion of the restructuring through a Title VI Qualifying Modification GDB will no longer have any bonds outstanding.

Source: Government Development Bank; unaudited financial data is subject to change.



New Fiscal Plan

Subsidiaries, Guarantees and Letters of Credit

GDB Subsidiaries

GDB is authorized under Article 2 of its enabling act, Act 17 of 1948, to create subsidiaries by resolution of the Board of Directors. The GDB Charter provides that GDB Subsidiaries shall constitute government instrumentalities, independent of and separate from GDB.⁽¹⁾

Separation of GDB from Subsidiaries and Affiliates

Since the beginning of 2017, GDB's management has worked and completed the operational separation of GDB from its subsidiaries and affiliates. Legislation is being drafted to legally separate GDB from its subsidiaries and affiliates, and is expected to be filed during the current legislative session.

Puerto Rico Housing Finance Authority (HFA)

Subsidiary of GDB and a government instrumentality, created in 1977 for the purpose of financing the construction, reconstruction, improvement, alteration and repair of decent, safe and sanitary dwellings for persons of limited income under state and federally subsidized homeownership programs.

- HFA owes approximately \$73.7mm to GDB and has \$136.4mm in non-federal deposits at GDB. Pursuant to Article 302 of the GDB Restructuring Act, the balance of liabilities owed between non-municipal government entities and GDB shall be automatically determined by applying outstanding loan balances against corresponding deposits. Therefore, HFA will have a claim of approximately \$62.7mm against the PET.



(1) Section Fourth (J)(1) of the GDB Charter, 7 L.P.R.A § 552

New Fiscal Plan

Subsidiaries, Guarantees and Letters of Credit

Puerto Rico Development Fund (PRDF)

Established in 1977 to provide an alternate source of financing to private enterprises, including to provide guarantees and invest in equity securities of such enterprises.

The Plan assumes no collections from PRDF. Under the terms of the RSA, PRDF has a Participating Bond Claim in the amount of approximately \$10.5mm against GDB pursuant to the terms of the PRDF Loan Guaranty Program under which GDB entered into a commitment to fund any deficiencies if and when asserted against the PRDF.

Puerto Rico Tourism Development Fund (TDF)

Created in 1993 to promote the hotel and tourism industry by making capital investments in, or by providing financing directly or indirectly (through the use of letters of credits and guarantees) to, entities that can contribute to the development of the industry.

- TDF has experienced significant losses and has an accumulated net deficits due to decreased economic activity in the hotel and tourism industries in recent years.
- Although TDF has covered its deficits through contributions from the Government, as permitted by legislation, and from financial support provided by GDB, no additional contributions or support are expected.
- No recourse to GDB: GDB has confirmed, through an analysis by outside legal counsel, that the resolution that created TDF “specifically provides that GDB shall not be liable for the payment of any of TDF’s debts of any nature, unless expressly guaranteed by GDB.”
- TDF owes approximately \$207.5mm to GDB and has approximately \$160.6mm in non-federal deposits at GDB. Pursuant to Article 302 of the GDB Restructuring Act, the balance of liabilities owed between non-municipal government entities and GDB shall be automatically determined by applying outstanding loan balances against corresponding deposits. Therefore, TDF will owe approximately \$46.9mm to GDB.

New Fiscal Plan

Subsidiaries, Guarantees and Letters of Credit

Other Guarantees and/or Letters of Credit

- **GDB Stand-by Letter of Credit (“Stand-by LOC”)** for the benefit of Puerto Rico Public Finance Corporation 2011 Series A and B Bonds and 2012 Series A Bonds (the “Bonds”). The Stand-by LOC does not impact GDB’s Fiscal Plan. The Trustee may only draw from the Stand-by LOC when a budget for a new fiscal year is not approved and adopted, a legislative appropriation for the current fiscal year exists and is lower than the debt service payment due on the Bonds for the next fiscal year for which a new budget is not adopted. In such an instance, the Stand-by LOC may be drawn in the amount that the debt service on the Bonds for the upcoming fiscal year is higher than the appropriated amount for debt service on the Bonds during the current fiscal year, if any.
 - The Stand-by LOC is not intended to and does not cover the risk that no appropriation is made by the Legislature of Puerto Rico for any particular fiscal year, or that an appropriation is made in an amount lower than the amount of debt service on the Bonds due with respect to any fiscal year. If the budget for any fiscal year is adopted but no appropriation for the payment of the Bonds is included in such budget, or an appropriation is made in an amount lower than the amount of debt services on the Bonds, the Trustee may not make a drawing under the Stand-by LOC.

Lehman Brothers Special Financing, Inc. – Debt Service Deposit Agreement

- The Commonwealth, GDB, and Lehman Brothers Special Financing, Inc. (“Lehman”) are parties to a Debt Service Deposit Agreement (the “DSDA”). Under the DSDA, the Commonwealth made deposits to a “Redemption Fund” in an amount sufficient to make debt service payments on the Commonwealth’s General Obligation Bonds. If the DSDA is breached, the Commonwealth and GDB are jointly liable to Lehman for a termination amount, calculated pursuant to the terms of the DSDA. However, the DSDA provides that Lehman must first pursue remedies against the Commonwealth prior to pursuing remedies against GDB and that GDB shall not be required to make a payment under the DSDA unless the Commonwealth has, among other things, repudiated the DSDA or raised a defense of immunity.

New Fiscal Plan

Subsidiaries, Guarantees and Letters of Credit

Public Private Partnerships and Respective Payment Guarantees

PR-22 and PR-5 Toll Roads⁽¹⁾

- GDB payment guarantee in favor of Metropistas (toll road operator) for any “Termination Damages” due and payable in cash by the Puerto Rico Highways and Transportation (HTA in turn agreed to reimburse GDB).

Luis Muñoz Marín International Airport⁽²⁾

- GDB payment guarantee in favor of Aerostar (airport operator) for any “Termination Damages” due and payable in cash by the Puerto Rico Ports Authority, which would be reimbursable to GDB by the Ports Authority.

On February 23, 2017, GDB and AAFAF received a letter from the Puerto Rico Public Private Partnership Association where it indicated that a “restructuring (rather than a liquidation) of the GDB is clearly the preferred and most beneficial approach.”

The Plan assumes the payment guarantees remain outstanding and unasserted during the existence of GDB as a legal entity.

Source:

(1) Concession Agreement between Metropistas and HTA and Reimbursement Agreement between HTA and GDB.

(2) Lease Agreement between Aerostar and Ports Authority and Reimbursement Agreement between Ports Authority and GDB.



New Fiscal Plan

Repayment Structure of CAE Loans (64% of Municipal Loan Portfolio)

- The principal source of payment for CAE Loans is a special additional property tax (“CAE” for its Spanish acronym), which, as provided by Act No. 83 of August 30, 1991, as amended (“Municipal Tax Act”), may be imposed by a municipality without limitation as to rate or amount on all taxable real and personal property within a municipality.
- Under Act 64 of 1996 (the “Municipal Financing Act”), each municipality is required to levy the CAE in such amounts as will be required for the payment of all its outstanding CAE Loans. *Ad valorem* taxes on real and personal property, including the CAE, are generally collected on behalf of the municipalities by the Municipal Revenues Collection Center, an independent municipal entity (“CRIM” for its Spanish acronym).
- CAE collections are required by law to be deposited in the Municipal Public Debt Redemption Fund (the “CAE Redemption Fund”) and used for the payment of CAE Loans. To the extent that a municipality’s funds in the CAE Redemption Fund exceed the amount necessary to cover twelve months’ debt service on such municipality’s then outstanding CAE Loans, as determined by AAFAF, and such municipality’s statutory debts, the Municipal Financing Act (as amended pursuant to the GDB Restructuring Act) requires the disbursement of such excess to the municipality, at its request, once during each fiscal year. Such excess is generally referred to as “Excess CAE.”
- In November 2015, CRIM and GDB executed a deed of trust with respect to the CAE Redemption Fund, pursuant to which the CAE Redemption Fund was divided into two separate sub-funds, one of which would be invested in deposits at GDB and used for the payment of CAE Loans held by GDB, and the other one would be invested in certain qualified instruments and used for the payment of CAE Loans held by private banks and MFA (known as the “Private Sub-Fund”). The Private Sub-Fund was, and continues to be, invested in deposits at Banco Popular de Puerto Rico (“BPPR”).

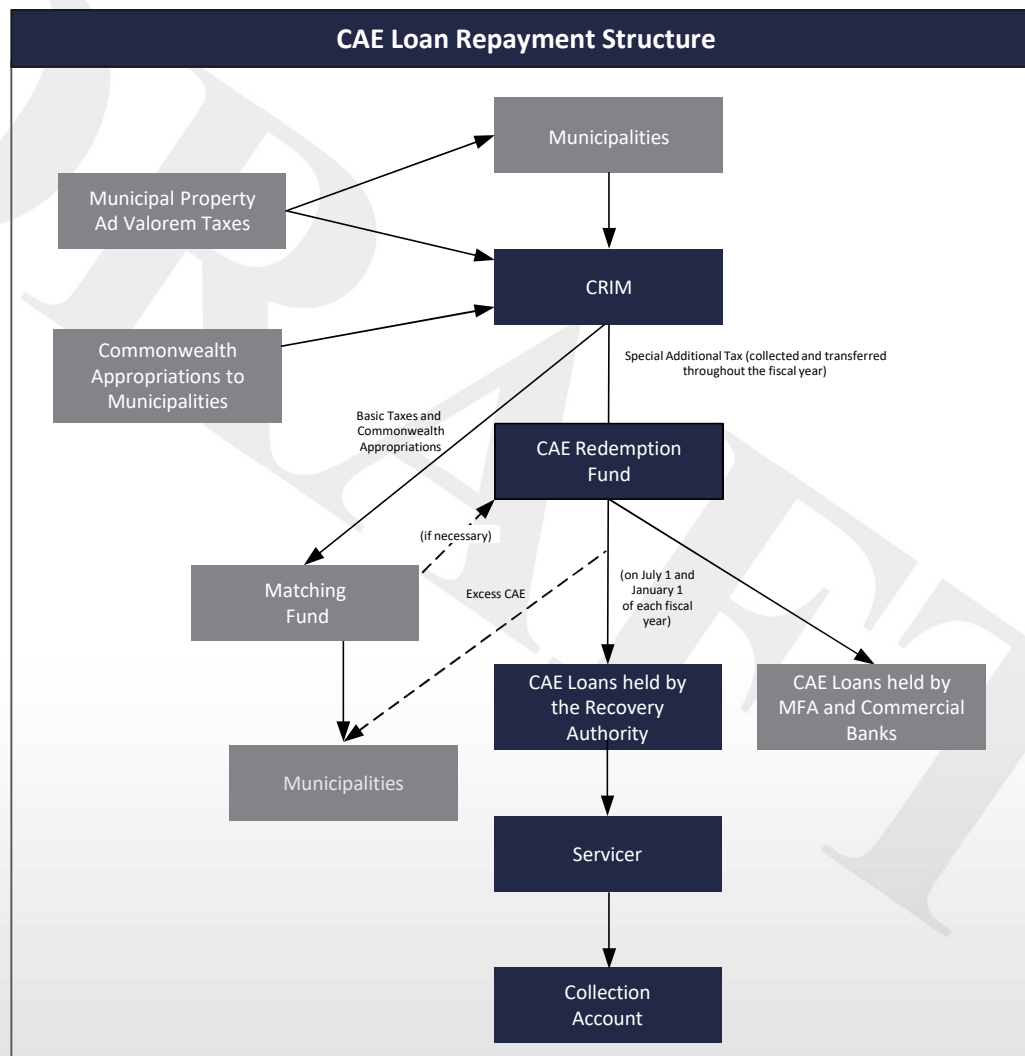
New Fiscal Plan

Repayment Structure of CAE Loans (64% of Municipal Loan Portfolio)

- In April 2016, upon the imposition of restrictions on the withdrawal of funds on deposit at GDB, no additional CAE revenues were transferred to GDB. Thereafter, all CAE revenues have been deposited by CRIM at BPPR and have been kept in two accounts as follows: (i) in the Private Sub-Fund, an amount based on the debt service payable on the CAE Loans held by private banks and MFA and (ii) in a separate account at BPPR, an amount based on the debt service payable on CAE Loans held by GDB.
- **Security.** The Municipal Financing Act provides for a lien in respect of CAE Loans as follows: (i) CAE is collected and transferred to the CAE Redemption Fund at BPPR, (ii) to the extent that a municipality's funds in the CAE Redemption Fund are insufficient to satisfy the payment in full of such municipality's CAE Loans, as determined by the Designated Trustee, CRIM will deposit in the CAE Redemption Fund other revenues subject to the lien to cover such insufficiency, and (iii) the Designated Trustee will use the funds in the CAE Redemption Fund to pay, on behalf of the municipality, the principal and interest on such municipality's CAE Loans. The Municipal Financing Act provides that the CAE and other amounts deposited in the CAE Redemption Fund are to be utilized first for the payment of the principal of and premium, if any, and interest on each municipality's CAE Loans.

New Fiscal Plan

Repayment Structure of CAE Loans (64% of Municipal Loan Portfolio)



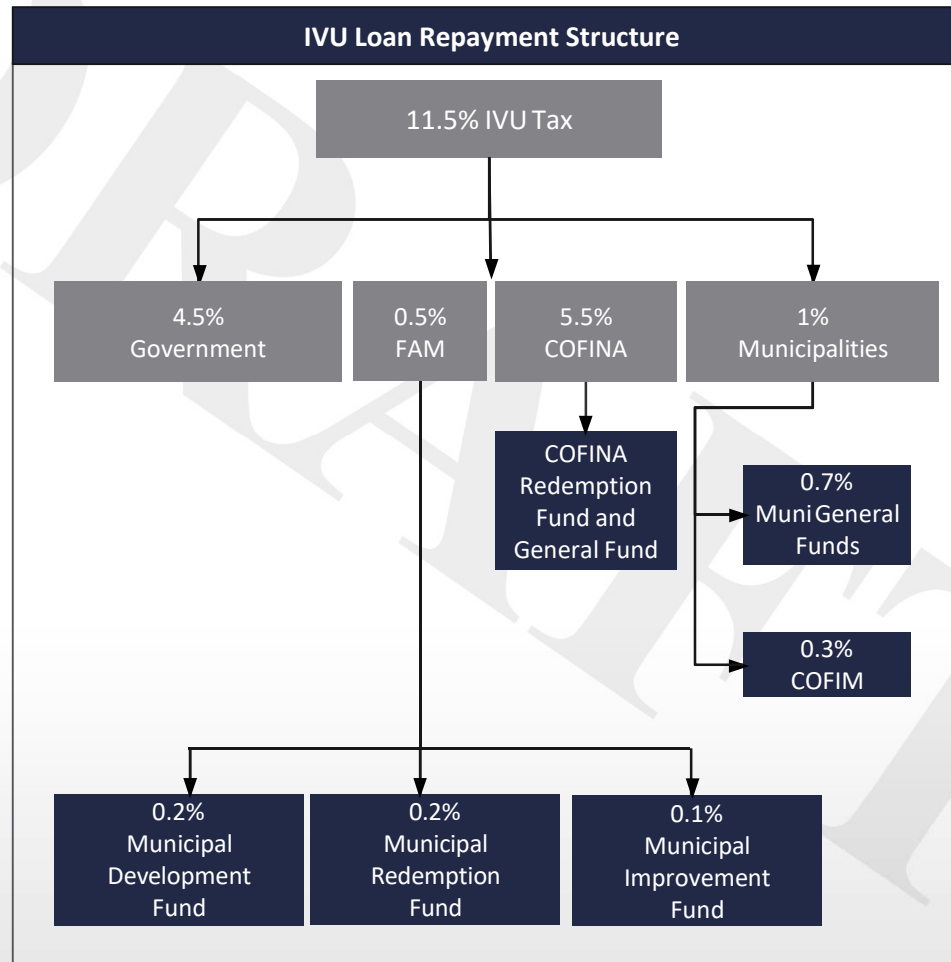
New Fiscal Plan

Repayment Structure of IVU Loans (25% of Municipal Loan Portfolio)

- Act No. 18-2014, as amended (the “FAM Act”), requires the Government to deposit in the Municipal Administration Fund (“FAM”) an amount equal to the product of the State IVU collected during a fiscal year multiplied by a fraction whose numerator will be 0.5% and whose denominator will be 6%. The FAM is currently held on deposit at BPPR and, pursuant to the FAM Act, is administered by the Puerto Rico Municipal Financing Corporation (“COFIM”).
- Amounts received by FAM are divided into three separate funds as follows:
 - 40% of the State IVU deposited in the FAM (i.e., product of the State IVU collected during a fiscal year multiplied by a fraction whose numerator is 0.2% and whose denominator is the rate of the State IVU deposited in the FAM) is transferred to the FAM’s Redemption Fund (the “FAM Redemption Fund”),
 - 40% of the State IVU deposited in the FAM (i.e., the product of the State IVU collected during a fiscal year multiplied by a fraction whose numerator is 0.2% and whose denominator is the rate of the State IVU deposited in the FAM) is transferred to the Municipal Development Fund (the “Development Fund”), and
 - 20% the State IVU deposited in the FAM (i.e., the product of the State IVU collected during a fiscal year multiplied by a fraction whose numerator is 0.1% and whose denominator is the rate of the State IVU deposited in the FAM) is transferred to the Municipal Improvement Fund (the “Improvement Fund”).
- FAM Redemption Fund is distributed among municipalities pursuant to a predetermined formula provided by the FAM Act, which is based on the amounts collected in each municipality during the prior fiscal year. However, pursuant to the FAM Act, funds in the FAM should be used first for the payment of any outstanding municipal advances made by GDB to a municipality, prior to the distribution of funds to such municipality’s FAM Redemption Fund, Development Fund and Improvement Fund.
- IVU Loans are payable from sales and use tax revenues required by law to be deposited in the FAM Redemption Fund. In addition, Section 4050.08 of the PR Internal Revenue Code, as amended, authorizes municipalities to elect to transfer all or a portion of funds in such municipality’s Development Fund to the FAM Redemption Fund to increase their borrowing capacity. Funds so transferred from the Development Fund to the FAM Redemption Fund are available for the payment of IVU Loans.
- The funds in the FAM Redemption Fund are required by law to be applied for the payment of IVU Loans. IVU Loans that are part of the Restructuring Property, however, may be effectively subordinated to the payment of other IVU Loans secured by a security interest in municipal sales and use taxes granted to municipalities by private financial institutions to secure such loans.

New Fiscal Plan

Repayment Structure of IVU Loans (25% of Municipal Loan Portfolio)





GOVERNMENT OF PUERTO RICO
Government Development Bank for
Puerto Rico



IV. Current Balance Sheet Information (unaudited)

Current Balance Sheet Information (unaudited)

Current Balance Sheet

- GDB's balance sheet includes a significant number of "non-performing" assets.
- Historically, GDB accounted for its inherent losses in its public sector loan portfolio following applicable financial reporting and accounting pronouncements and experiences on recoveries on its loan portfolio over several decades.
- Events between 2014 and 2016 resulted in loss of investment grade rating and market access that resulted in a significant increase in allowance for loan losses, totaling \$2.5bn in the FY2014 Audited Financial Statements.
- The retention of certain revenues, conditionally transferred to public corporations by the Government, permanently impaired a large portion of GDB public corporation loans.

| (\$ in millions) | 12/31/2017 |
|---|------------------|
| Assets: | |
| Cash & Cash Equivalents | \$307.9 |
| Loans: | |
| Public Entity Loans | 6,252.2 |
| Municipal Loans | 2,417.9 |
| Private Sector Loans | 0.8 |
| Other Loans | 0.0 |
| Allowance for Loan Losses | (2,504.7) |
| Total Loans, net | \$6,166.1 |
| Accrued Interest Receivable: | |
| Investments | 0.0 |
| Public Entity Loans | 190.4 |
| Municipal Loans | 55.5 |
| Private Sector Loans | 0.0 |
| Total Accrued Interest Receivable | \$245.9 |
| Real Estate Owned | 62.5 |
| Other Assets | 17.9 |
| Total Assets | \$6,800.3 |
| Liabilities: | |
| Total Deposits | \$3,549.0 |
| Allowance For Losses on Guarantees and LOCs | 52.6 |
| Accrued Interest Payable | 28.5 |
| Accounts Payable | 1,205.2 |
| Notes Payable | 2,818.3 |
| Total Liabilities | \$7,653.6 |
| Net Position | (\$853.4) |
| Total Liabilities and Net Position | \$6,800.3 |

Note:

- Balance Sheet information is unaudited.
- Accounts Payable includes \$947mm of GDB notes that have matured.
- Allowance for Loan Losses is from GDB FY2014 Audited Financial Statements.
- COFIM and FAM advances totaling \$326.2mm and \$168.1mm, respectively, are being reconciled against deposits received from municipal IVU from each entity. FAM advances will be netted out completely where COFIM would still owe \$43.4mm to GDB.

Source: GDB



Current Balance Sheet Information (unaudited)

Loans

| GDB Loan Portfolio (\$ in millions) | |
|--|------------------|
| <u>Public Corporation:</u> | |
| PR Highways and Transportation Authority (HTA) | \$1,933.7 |
| Special Communities Perpetual Trust (SCPT) | 345.8 |
| PR Ports Authority (PRPA) | 286.5 |
| PR Administration of Medical Services | 282.4 |
| Port of the Americas | 227.2 |
| Other Public Corporation Loans | (113.0) |
| Total Public Corporation Portfolio | \$2,962.7 |
| <u>Public Agency:</u> | |
| PR Treasury Department (Hacienda) | \$715.1 |
| Office of Management and Budget | 265.5 |
| Department of Treasury (General Obligation) | 169.4 |
| PR Comprehensive Cancer Center | 120.5 |
| Department of Education | 106.3 |
| Other Public Agency Loans | 1,443.3 |
| Total Public Agency Portfolio | \$2,820.2 |
| <u>Municipal:</u> | |
| San Juan | \$391.9 |
| Guaynabo | 137.5 |
| Ponce | 93.1 |
| Toa Baja | 73.1 |
| Aguadilla | 70.1 |
| Other Municipal Loans | 1,157.9 |
| Total Municipal Portfolio | \$1,923.6 |
| <u>Private:</u> | |
| Total Private Portfolio | \$0.8 |
| Total Portfolio | \$7,707.2 |

| GDB Total Loan Portfolio (\$ in millions) | |
|--|------------------|
| Public Corporation and Agency Loans | \$5,782.9 |
| Municipal Loans | 1,923.6 |
| Municipal FAM Advances | 168.1 |
| Municipal COFIM Advances | 326.2 |
| Other Public Loans | 448.2 |
| Private Sector Loans | 0.8 |
| AFV Reverse Repo | 21.1 |
| Gross Loans | \$8,670.9 |
| Adjustments | (2,504.7) |
| Net Loans | \$6,166.1 |

Note: Differs from Assets on unaudited balance sheet:

- As of 12/31/17; Unaudited
- Public Loans excludes Investment assets.
- COFIM and FAM advances totaling \$326.2mm and \$168.1mm, respectively, are being reconciled against deposits received from municipal IVU from each entity. FAM advances will be netted out completely where COFIM would still owe \$43.4mm to GDB.



Current Balance Sheet Information (unaudited)

Deposits

- As of December 31, 2017, GDB held approximately \$3.1bn⁽¹⁾, net of COFIM and FAM, in deposits for various government agencies, corporations, municipalities and other entities.
- All depositors have transitioned their operating accounts away from GDB and have been transacting via commercial banks since April 2016.

| Top 20 GDB Depositors (12/31/17) ⁽¹⁾ (\$ in millions) | | | |
|---|---------|---|----------------|
| Depositor | Balance | Depositor | Balance |
| PR Treasury Department (Hacienda) | \$ 568 | University of Puerto Rico (UPR) | \$ 93 |
| Municipal Finance Corporation (COFIM) | 283 | Department of Labor and Human Resources | 82 |
| PR Infrastructure Financing Authority (PRIFA) | 232 | Municipality of Carolina | 60 |
| Municipal Administration Fund (FAM) | 190 | Puerto Rico State Insurance Fund (SIF) | 43 |
| PR Tourism Development Fund (TDF) | 161 | PR Public Buildings Authority (PBA) | 41 |
| PR Electric Power Authority (PREPA) | 152 | Land Administration | 39 |
| Municipality of San Juan | 149 | Municipality of Mayaguez | 35 |
| PR Housing Finance Authority (PRHFA) | 132 | PR Tourism Company (PRTC) | 35 |
| Special Communities Perpetual Trust (SCPT) ⁽²⁾ | 103 | Government Employees Retirement System | 33 |
| PR Science and Technology Trust | 96 | Other | 551 |
| Total Deposits | | | \$3,077 |

Source: GDB

(1) Balance of deposits excludes \$282mm and \$190mm of COFIM and FAM deposits, respectively, that are the repayment of advances made by GDB to municipalities before July 1st, 2016 through COFIM and FAM. GDB is currently reconciling its books to reflect this. Net effect will be an advance payable from COFIM to GDB of \$43.4mm. All amounts are unaudited.

(2) Indicates funds deposited by Science and Technology Trust are from a private non-profit entity.

