

**GDB PRIVATE FINANCING / TDF CREDIT PORTFOLIO**

**GDB PRIVATE FINANCING**

i.d.	Borrower / Credit	dba / Project	Credit Facility	30-Jun-16 Balance	30-Jun-15 Balance	30-Jun-14 Balance	30-Jun-13 Balance	30-Jun-12 Balance	Original Amount	Type of Interest	Loan Closing	Maturity
1	Municipio de Bayamón	Hyatt Place Bayamón	Muni Loan (Rev Bond)	\$ 7,200,000	\$ 7,200,000	\$ -	\$ -	\$ -	\$ 7,200,000	PR + 2.00% (6.00% floor)	Feb-12	Dec-28
2	Municipio de Manatí	Hyatt Place Manatí	Muni Loan (Rev Bond)	\$ 6,025,000	\$ 6,025,000	\$ -	\$ -	\$ -	\$ 6,025,000	PR + 2.00% (6.00% floor)	Jul-12	Mar-37
3	Municipio de Aguadilla	Hotel Las Cascadas	Muni Line Credit / Rev Bond	\$ 18,002,267	\$ 16,080,199	\$ 9,436,237	\$ 106,992	\$ -	\$ 21,750,000	PR + 1.00% / PR + 1.00% (6.25% floor)	Dec-12	Dec-27
4	Centro Comprensivo de Cáncer UPR	Centro Comprensivo	Senior Loan	\$ 88,549,934	\$ 50,491,974	\$ 6,000,291	\$ -	\$ -	\$ 196,000,000	PR + 2.00% (6.00% floor)	Nov-13	Nov-33
5	Industria Lechera de Puerto Rico, Inc.	Indulac	Senior Loan	\$ -	\$ 12,988,886	\$ 13,688,888	\$ 14,000,000	\$ -	\$ 14,000,000	PR + 1.75%	Nov-12	Nov-22
5	Industria Lechera de Puerto Rico, Inc.	Indulac	Senior Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,750,000	PR + 1.75%	Nov-12	May-13
5	Industria Lechera de Puerto Rico, Inc.	Indulac	Senior Line of Credit	\$ -	\$ 7,900,000	\$ 5,500,000	\$ 5,136,954	\$ -	\$ 9,000,000	PR + 1.75%	Nov-12	Jun-15
6	Fondo Fomento Industria Lechera	Indulac	Senior Line of Credit	\$ -	\$ 3,690,784	\$ 6,000,000	\$ 5,693,401	\$ -	\$ 8,000,000	PR + 1.75%	Dec-12	Dec-15
7	DBR Dorado Owner LLC	Dorado Ritz-Carlton Reserve	Senior Loan	\$ -	\$ -	\$ 12,393,600	\$ 12,813,600	\$ 15,000,000	\$ 15,000,000	PR + 2.00% (6.00% floor)	Jul-10	Mar-18
<b>TOTAL:</b>				<b>\$ 119,777,201</b>	<b>\$ 104,376,843</b>	<b>\$ 53,019,016</b>	<b>\$ 37,750,947</b>	<b>\$ 15,000,000</b>	<b>\$ 281,725,000</b>			

**PUERTO RICO TOURISM DEVELOPMENT FUND (TDF)**

i.d.	Borrower / Credit	dba / Project	Credit Facility	30-Jun-16 Balance	30-Jun-15 Balance	30-Jun-14 Balance	30-Jun-13 Balance	30-Jun-12 Balance	Original Amount	Type of Interest or Fee	Credit / Loan Closing	Maturity
<b>TDF GUARANTEES</b>												
1	Manatí Hotel Company LLC	Hyatt Place Manatí	Guarantee (senior loan)	\$ 22,205,736	\$ 23,256,389	\$ 23,970,157	\$ 4,107,889	\$ -	\$ 23,256,389	1.50% guarantee fee	Jul-12	Jul-24
2	District Hotel Company LLC	Hyatt House San Juan	Guarantee (senior loan)	\$ 14,140,112	\$ 14,880,000	\$ 6,028,314	\$ -	\$ -	\$ 14,880,000	1.50% guarantee fee	Dec-12	Dec-22
3	SGDP Hotel, LLC	Condado Lagoon Villas II	Guarantee (senior loan)	\$ 22,138,667	\$ 22,813,067	\$ 23,487,467	\$ 24,105,667	\$ 24,386,668	\$ 24,800,000	1.50% guarantee fee	Apr-06	Jun-20
4	CCHPR Hospitality, LLC	Sheraton Conv. Ctr. Hotel	Guarantee (senior loan)	\$ 149,554,904	\$ 151,420,840	\$ 153,143,780	\$ 154,605,674	\$ 156,203,650	\$ 158,000,000	1.50% guarantee fee	Aug-06	Mar-17
5	Hotel Dorado, S.E.	Embassy Dorado	Guarantee (senior loan)	\$ 21,883,333	\$ 22,677,778	\$ 23,472,222	\$ 24,338,889	\$ 25,205,556	\$ 26,000,000	1.50% guarantee fee	Apr-06	Jul-18
6	Hotel Dorado, S.E.	Embassy Dorado	Guarantee (senior loan)	\$ 10,200,000	\$ 10,741,253	\$ 11,000,000	\$ 11,400,000	\$ 11,766,667	\$ 12,000,000	1.50% guarantee fee	Apr-08	Jul-18
7	Hotel Dorado, S.E.	Embassy Dorado	Guarantee (senior loan)	\$ -	\$ -	\$ 1,866,667	\$ 3,266,665	\$ 4,666,667	\$ 5,600,000	1.50% guarantee fee	Nov-10	Sep-15
8	Serrallés Hotel, Inc.	Hilton Ponce	Guarantee (AFICA Bonds)	\$ 14,085,000	\$ 47,240,000	\$ 49,020,000	\$ 50,700,000	\$ 52,255,000	\$ 54,370,000	1.50% guarantee fee	Mar-06	Apr-33
9	Coco Beach Golf & Country Club, S.E.	Coco Beach Golf	Guarantee (AFICA Bonds)	\$ 22,350,000	\$ 23,215,000	\$ 24,040,000	\$ 24,825,000	\$ 25,605,000	\$ 26,355,000	1.50% guarantee fee	Mar-11	Dec-30
10	Palmas Athletic Club Corp.	Palmas Golf & Country Club	Guarantee (AFICA Bonds)	\$ 22,485,000	\$ 23,245,000	\$ 24,150,000	\$ 24,900,000	\$ 25,600,000	\$ 30,000,000	1.50% guarantee fee	Oct-00	Dec-30
11	DBR Dorado Owner LLC	Dorado Ritz-Carlton Reserve	Guarantee (senior loan)	\$ -	\$ -	\$ 190,995,813	\$ 197,446,813	\$ 138,505,692	\$ 231,132,814	1.50% guarantee fee	Jul-10	Mar-18
12	DBR FD Parcel Two LLC	Ritz-Carlton Reserve Residences	Guarantee (senior loan)	\$ -	\$ -	\$ 18,797,650	\$ 11,383,332	\$ 9,274,267	\$ 30,400,000	1.50% guarantee fee	Apr-12	Apr-15
13	Bayamón Hotel Company LLC	Hyatt Place Bayamón	Guarantee (senior loan)	\$ -	\$ -	\$ 29,000,000	\$ 14,824,959	\$ -	\$ 29,000,000	1.50% guarantee fee	Feb-12	Feb-20
14	Condado Palm LLC	Best Western Condado	Guarantee (Senior Priv. Bonds)	\$ -	\$ -	\$ 12,879,380	\$ 12,915,256	\$ 12,915,256	\$ 12,915,256	1.50% guarantee fee	May-12	May-23
<b>SUB-TOTAL (GUARANTEES)</b>				<b>\$ 299,042,752</b>	<b>\$ 339,489,327</b>	<b>\$ 591,851,450</b>	<b>\$ 558,820,144</b>	<b>\$ 486,384,422</b>	<b>\$ 678,709,459</b>			
<b>TDF LOANS</b>												
1	District Hotel Partners LLC	Hyatt Place San Juan	Subordinated Loan	\$ 5,832,163	\$ 73,617	\$ -	\$ -	\$ -	\$ 5,955,618	PR + 2.00% (6.00% floor)	Sep-14	Sep-24
2	Flagship Resort Properties, S.E.	Verdanza Hotel	Subordinated Loan	\$ 10,121,705	\$ 10,121,705	\$ 10,121,705	\$ 10,121,705	\$ 10,121,705	\$ 10,121,705	PR + 4.00% (6.00% floor)	Aug-03	Dec-14
3	Costa Isabela Partners, Inc.	Royal Isabela	Senior Loan	\$ 16,096,684	\$ 16,949,844	\$ 17,507,611	\$ 16,988,705	\$ 13,620,251	\$ 18,066,464	PR + 2.00% (6.00% floor)	Jan-12	Jun-19
4	Hostal El Convento, S.E.	Hotel El Convento	Senior Loan	\$ -	\$ 5,451,580	\$ 6,000,000	\$ 6,505,000	\$ 6,975,000	\$ 9,868,000	Fixed rate 5.50%	Dec-03	Dec-23
5	Bahía Beach CH Development LLC	St. Regis Bahía Beach	Senior Loan	\$ -	\$ 119,000,000	\$ 119,000,000	\$ 119,000,000	\$ 119,000,000	\$ 119,000,000	LIBOR + 2.00%	Jun-08	Aug-17
6	International Hospitality Associates, S. en C. por A. (S.E.)	Renaissance La Concha / Condado Vanderbilt	Senior Loan	\$ -	\$ -	\$ -	\$ 162,790,468	\$ 156,586,350	\$ 165,500,000	PR + 2.00% (6.00% floor)	Jan-04	Jan-11
7	Bahía Beach Resort LLC	Bahía Beach Resort Golf	Senior Loan	\$ -	\$ -	\$ -	\$ 15,033,625	\$ -	\$ -	PR + 2.00% (6.00% floor)	Sep-12	Sep-17
8	Rio Mar Associates, L.P., S.E.	Wyndham Rio Mar Resort	Senior Loan	\$ -	\$ -	\$ -	\$ -	\$ 124,999,973	\$ 155,300,000	LIBOR + 1.50%	Dec-03	Dec-28
<b>SUB-TOTAL (LOANS)</b>				<b>\$ 32,050,552</b>	<b>\$ 151,596,746</b>	<b>\$ 152,629,316</b>	<b>\$ 330,439,503</b>	<b>\$ 431,303,278</b>	<b>\$ 483,811,787</b>			
<b>TOTAL TDF CREDIT PORTFOLIO</b>				<b>\$ 331,093,304</b>	<b>\$ 491,086,073</b>	<b>\$ 744,480,766</b>	<b>\$ 889,259,646</b>	<b>\$ 917,687,700</b>	<b>\$ 1,162,521,246</b>			

**CONSOLIDATED GDB / TDF PRIVATE FINANCING CREDIT PORTFOLIO**

\$ 450,870,505 \$ 595,462,916 \$ 797,499,782 \$ 927,010,593 \$ 932,087,700 \$ 1,444,246,246

## GDB PRIVATE FINANCING

CREDIT PORTFOLIO: 31-Aug-16

i.d.	Borrower / Credit	dba / Project	Credit Facility	Credit / Loan Status	31-Aug-16 Balance	31-Aug-15 Balance	Original Amount	Type of Interest	Loan Closing	Maturity
1	Municipio de Bayamón	Hyatt Place Bayamón	Muni Loan (Rev Bond)	Current	\$ 7,200,000	\$ 7,200,000	\$ 7,200,000	PR + 2.00% (6.00% floor)	Feb-12	Dec-28
2	Municipio de Manatí	Hyatt Place Manatí	Muni Loan (Rev Bond)	Current	\$ 6,025,000	\$ 6,025,000	\$ 6,025,000	PR + 2.00% (6.00% floor)	Jul-12	Mar-37
3	Municipio de Aguadilla	Hotel Las Cascadas	Muni Line Credit / Rev Bond	Non-current	\$ 18,140,728	\$ 16,648,243	\$ 21,750,000	PR + 1.00% / PR + 1.00% (6.25% floor)	Dec-12	Dec-27
4	Centro Comprensivo de Cáncer UPR	Centro Comprensivo	Senior Loan	Non-current	\$ 88,549,934	\$ 60,443,538	\$ 196,000,000	PR + 2.00% (6.00% floor)	Nov-13	Nov-33
*	Industria Lechera de Puerto Rico, Inc.	Indulac	Senior Loan	*	\$ -	\$ 12,833,330	\$ 14,000,000	PR + 1.75%	Nov-12	Nov-22
*	Industria Lechera de Puerto Rico, Inc.	Indulac	Senior Line of Credit	*	\$ -	\$ -	\$ 9,000,000	PR + 1.75%	Nov-12	Jun-15
*	Fondo Fomento Industria Lechera	Indulac	Senior Line of Credit	*	\$ -	\$ 3,690,784	\$ 8,000,000	PR + 1.75%	Dec-15	Dec-15
<b>TOTAL:</b>					<b>\$ 119,915,662</b>	<b>\$ 106,840,895</b>	<b>\$ 261,975,000</b>			

(\*) Credit relationship terminated on May 2016, all loans were fully repaid as per Credit Agreement.

## PUERTO RICO TOURISM DEVELOPMENT FUND (TDF)

CREDIT PORTFOLIO: 31-Aug-16

i.d.	Borrower / Credit	dba / Project	Type of Credit Facility	Credit / Loan Status	31-Aug-16 Balance	31-Aug-15 Balance	Original Amount	Type of Interest or Fee	Credit / Loan Closing	Maturity
<b>TDF GUARANTEES</b>										
1	Manatí Hotel Company LLC	Hyatt Place Manatí	Guarantee (senior loan)	Current	\$ 22,125,836	\$ 22,808,597	\$ 23,256,389	1.50% guarantee fee	Jul-12	Jul-24
2	District Hotel Company LLC	Hyatt House San Juan	Guarantee (senior loan)	Current	\$ 14,149,150	\$ 14,880,000	\$ 14,880,000	1.50% guarantee fee	Dec-12	Dec-22
3	SGDP Hotel, LLC	Condado Lagoon Villas II	Guarantee (senior loan)	Non-current	\$ 22,138,667	\$ 22,700,667	\$ 24,800,000	1.50% guarantee fee	Apr-06	Jun-20
4	CCHPR Hospitality, LLC	Sheraton Conv. Ctr. Hotel	Guarantee (senior loan)	Non-current	\$ 149,063,301	\$ 150,966,918	\$ 158,000,000	1.50% guarantee fee	Aug-06	Mar-17
5	Hotel Dorado, S.E.	Embassy Dorado	Guarantee (senior loan)	Non-current	\$ 21,883,333	\$ 22,533,333	\$ 26,000,000	1.50% guarantee fee	Apr-06	Jul-18
6	Hotel Dorado, S.E.	Embassy Dorado	Guarantee (senior loan)	Non-current	\$ 10,200,000	\$ 10,533,333	\$ 12,000,000	1.50% guarantee fee	Apr-08	Jul-18
7	Serrallés Hotel, Inc.	Hilton Ponce	Guarantee (AFICA Bonds)	Current	\$ -	\$ 47,240,000	\$ 54,370,000	1.50% guarantee fee	Mar-06	Apr-33
8	Coco Beach Golf & Country Club, S.E.	Coco Beach Golf	Guarantee (AFICA Bonds)	See notes	\$ 22,350,000	\$ 23,215,000	\$ 26,355,000	1.50% guarantee fee	Mar-11	Dec-30
9	Palmas Athletic Club Copr.	Palmas Golf & Country Club	Guarantee (AFICA Bonds)	Non-current	\$ 22,485,000	\$ 23,245,000	\$ 30,000,000	1.50% guarantee fee	Oct-00	Dec-30
<b>SUB-TOTAL (GUARANTEES)</b>					<b>\$ 284,395,288</b>	<b>\$ 338,122,848</b>	<b>\$ 369,661,389</b>			
<b>TDF LOANS</b>										
10	District Hotel Partners LLC	Hyatt Place San Juan	Subordinated Loan	Current	\$ 5,832,163	\$ 2,097,714	\$ 5,955,618	PR + 2.00% (6.00% floor)	Sep-14	Sep-24
11	Flagship Resort Properties, S.E.	Verdanza Hotel	Subordinated Loan	See notes	\$ 10,121,705	\$ 10,121,705	\$ 10,121,705	PR + 4.00% (6.00% floor)	Aug-03	Dec-14
12	Costa Isabela Partners, Inc.	Royal Isabela	Senior Loan	Current	\$ 16,096,684	\$ 16,949,844	\$ 18,066,464	PR + 2.00% (6.00% floor)	Jan-12	Jun-19
13	Hostal El Convento, S.E.	Hotel El Convento	Senior Loan	See notes	\$ -	\$ 5,175,000	\$ 9,868,000	Fixed rate 5.50%	Dec-03	Dec-23
14	Bahía Beach CH Development LLC	St. Regis Bahía Beach	Senior Loan	See notes	\$ -	\$ 119,000,000	\$ 119,000,000	LIBOR + 2.00%	Jun-08	Aug-17
<b>SUB-TOTAL (LOANS)</b>					<b>\$ 32,050,552</b>	<b>\$ 153,344,263</b>	<b>\$ 163,011,787</b>			
<b>TOTAL TDF CREDIT PORTFOLIO</b>					<b>\$ 316,445,840</b>	<b>\$ 491,467,111</b>	<b>\$ 532,673,176</b>			

## CONSOLIDATED GDB / TDF PRIVATE FINANCING CREDIT PORTFOLIO

\$ 436,361,501 \$ 598,308,006 \$ 794,648,176

## NOTES (TDF)

<b>Serrallés Hotel, Inc.</b>	Credit relationship terminated on July 1, 2016. Serrallés prepaid all the AFICA Bonds.
<b>Coco Beach Golf &amp; Country Club, S.E.</b>	Coco Beach filed for bankruptcy on July 2015. On December 2015, Bankruptcy Court approved the sale of assets to OHorizons Global LLC and terminated all legal liens, including TDF and AFICA. TDF continues as the guarantor to the still outstanding AFICA Bonds. A \$1,131,053.78 July 2016 AFICA Bond payment, covered by the TDF guarantee, was not performed due to the Commonwealth of P.R. legal restrictions over GDB/TDF. A \$1,257,050 July 2016 AFICA Bond payment, covered by the TDF guarantee, was not performed due to the Commonwealth of P.R. legal restrictions over GDB/TDF.
<b>Palmas Athletic Club, Inc.</b>	This loan has been fully reserved since June 2011. Loan is subordinated to a \$9,615,027 senior loan from Scotiabank de P.R. Scotiabank is currently considering a restructuring of its loan, which will require TDF's credit approval.
<b>Flagship Resort Properties, S.E.</b>	This loan was fully repaid on February 25, 2016, with a \$5,311,282 payment. The payment was done as per Credit Agreement (no discount pay-off). Borrower made the payment with funds from a credit facility from Oriental Bank.
<b>Hostal El Convento, S.E.</b>	Borrower made a \$40,000,000 discount pay-off on September 30, 2015. Discount pay-off was authorized by the GDB/TDF Board of Directors.



Report on Investment and Treasury Area  
Government Development Bank for Puerto Rico  
*Transition Report 2016*

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## INVESTMENT AND TREASURY AREA

### **Area Composition**

The Investment and Treasury Area (ITA), also known as the "Trading Desk or Investment Trading Desk" is responsible to carry out the day-to-day investment transactions, manage the investment activities on GDB's cash position, and invest any surplus cash available each day. Some of the more common investment activities include:

- Investments of GDB funding (Deposits, Repos, and GDB Medium Term Notes),
- Fund transfer orders,
- Monitoring the disbursements of credit lines,
- Provide maintenance of the matched book for credit lines,
- Perform the pricing and valuation of the different portfolios, loans and bonds issued by GDB and/or other agencies, municipalities, and instrumentalities,
- Provide maintenance of outstanding Commonwealth Swaps,
- Assist in the coordination of the investment of bond proceeds in GICs.

The ITA constantly monitors the liquidity of the bank and its profitability, and acts as an in-house counsel to financing departments of the GDB as it pertains to structuring and pricing bond deals.

The ITA was composed of the following units: *the Treasury Unit, the Department of Financial Strategy, and the Asset Management Department*. In June of 2015, the component unit names were eliminated, and the area is just known as the Investment and Treasury Area.

Although the component unit names don't exist anymore, the officers in the ITA continue performing their respective responsibilities related to these units. For the purpose of better understanding these responsibilities, we will denominate them as "activities" in the following sections.

### **Treasury Activities**

These include the development of strategies for the GDB's funding and making recommendations regarding interest rates, and establishes strategies and controls to gather and preserve deposits to ensure that the bank's liquidity is continuous.

The Treasurer position is vacant since July of 2015, and it has not been filled as per September of 2016. The Treasurer duties and responsibilities are being performed by the Director of the Investment and Treasury Area.

### **Financial Strategy Activities**

These include the monitoring of GDB's general financial performance. Monthly financial analyses are prepared on the different categories of assets and liabilities on the bank's financial statements. These include among other demand deposit, interest bearing accounts, credit lines, loans, and investment instruments. The data gathered and reports produced of these analyses is used by the GDB's Risk Management Committee, on their monthly meetings, for decision making and strategy development.

The RMC also addresses important macroeconomic events and financial market data that is relevant to the management of the portfolio, presents additional risk exposure to it, or could have an impact on the GDB and/or the Commonwealth. The presentation wraps up with an overview of the liquidity of the bank.

#### **Liquidity of the GDB**

On April 6 of 2016, due to the island's dire fiscal and economic crisis, the Legislative Assembly of Puerto Rico created the *Puerto Rico Emergency Moratorium and Financial Rehabilitation Act* (Law 21 from April 6, 2016) to implement a series of fiscal reform measures that intended to provide economic stability, recovery, and fiscal sustainability. Furthermore, Law 40 from May 5, 2016 and Executive Order OE-2016-10, presented additional amendments to the GDB's Organic Law (Law 17 from September 23, 1948) and to the Law 21, to establish deposit ruling thresholds, the postponement of principal debt payments, and the maintenance of essential public services.

These fiscal reforms provided the GDB with tools needed to restrain its liquidity, and a mechanism to temporarily repel any bondholder claims on debt payments. They also provided specific mechanisms for governmental and non-governmental entities to request withdrawal of funds, transfer of deposits, or payment for services. These must be approved by the Management and Budget Office, and by the Secretary of Treasury.

One setback from the moratorium act is that GDB is no longer receiving funds to invest, and as per September of 2016, it was disbursing approximately \$2 million each week to meet with the approved commitments. According with the GDB external consultant, the bank is projected to have sufficient liquidity until the second quarter of 2017.

On July 30, the Governor of PR did not approved the interest payment on GDB Medium Term Notes that become due on August 1 in the best interest of all creditors of the GDB. Such payment would affect the possibility of the bank to provide essential public services and to make to future payments.

On August 30, the GDB's Board of Directors decided not to request the approval for the interest payment on the GDB Medium Term Notes that became due on September 1, 2016 to avoid a conflict of interest by making a payment to a class creditors in preference to other classes.

#### **Oriental Bank-Puerto Rico Housing Finance Authority Participation Agreement**

On October of 2012, GDB and Oriental Bank entered into an agreement in which Oriental Bank would give Puerto Rico Housing Finance Authority a line of credit for \$30 million, and GDB would function as an administrator of this transaction. As per August 31 of 2016, the remaining balance for this agreement is approximately \$11 million.

#### **Outstanding Swaps of the Commonwealth**

The GDB contracted with Mohanty & Gargiulo, a swap advisor, in order to maintain a close monitoring of the swap portfolio and its collateral posting activity. As per August 31 of 2016 remains a swap transaction on COFINA portfolio with an outstanding balance of \$136 million.

#### **Achievements**

The Investment and Treasury Area is highly committed with the efficiency of its work, so during the past three years, it has taken steps to mechanize the investment transactions, reduce the time it take to process them, and reduce costs. Examples of these are:

- During 2013, in a joint effort between the Investment and Treasury Area, the Investment Operations Area, and the IT Department, the *Security Investment System for Windows* was launched. It is a home-brewed program that permits the investment areas enter, modify, monitor, and report investment transactions. It provides real time and historic information about all the performed investment transactions, and alerts if any of these transactions is not in accordance with the investment Policies.

- Each year, the Asset Management Department has annual meeting with Standard & Poors to review the performance of the Puerto Rico Government Investment Trust Fund. Since it began receiving a credit rating in 1996, it has maintained its AAA rating, which is the highest score a money market fund can get by the rating agencies. It is currently the only government managed portfolio with the highest rating score.
- Since the creation of the PRGITF in 1995, the fund was managed by two external administrators (MBIA/Cutwater and Wellington). In 2013, the Investment and Treasury Area commenced the procedures of taking charge of the administration of the fund, starting with the 40% share of Wellington. In 2014, the Area took the remaining 60% share of Cutwater cutting the administrative expenses to zero. They passed the savings of managing fees to the participants of the funds, offering a higher overall return on investment.

#### ***Fiscal Control Measures taken by GDB***

As discussed in the topic "Liquidity of GDB", due to the implementation of the *Puerto Rico Emergency Moratorium and Financial Rehabilitation Act* (Law 21 from April 6, 2016), some of the most critical measures taken to address the fiscal crisis were:

- Ordering the restriction of any payment of any obligation pursuant to terms that the Governor prescribes to address GDB's liquidity needs or facilitates its ability to carry out its operations. Specifically the payment of principal due in May 2016, and the payment of interest due on in August 2016 and henceforth.
- The establishment of weekly limits on the total disbursement amounts that GDB can make.

#### ***Future Plans***

During June of 2016, the Obama administration named the members of the financial control board better known as the Puerto Rico Oversight Management and Economic Stability Act (i.e. PROMESA) to overseeing the restructuring of Puerto Rico's \$70 billion debt burden, a the first step toward pulling the island from its fiscal crisis.

The GDB will continue its operations, primarily as a disbursement control agent, as indicated in the moratorium act (Law 21), and as a facilitator of initiatives of the Fiscal Control Board.



## Assets Under Management

August 31, 2016

<b>Portfolios Managed by GDB Treasury</b>	<b>Market Value 8/31/2016</b>
GDB as agent for COFINA Redemption Fund	\$ 225,689,000
Puerto Rico Government Investment Trust Fund (PRGITF)	\$ 167,782,841
Tourism Development Fund <sup>2</sup>	\$ 157,688,132
GDB as agent for the Commonwealth Redemption Fund	\$ 23,996,000
Land Administration	\$ 12,729,136
PR Development Fund <sup>1</sup>	\$ 4,448,293
FIDECCOP	\$ 4,247,121
	<b>\$ 596,580,523</b>

Notes:

<sup>(1)</sup> IBA account balance 250-00407

<sup>(2)</sup> Include Time Deposits and Common Stocks Grupo Hima San Pablo

<b>Money Market Fund Yields</b>				
<b>Month</b>	<b>Dreyfus</b>	<b>JP Morgan</b>	<b>Morgan Stanley</b>	<b>PRGITF</b>
Aug-15	0.04	0.08	0.08	0.12
Sep-15	0.06	0.07	0.10	0.13
Oct-15	0.05	0.08	0.10	0.14
Nov-15	0.04	0.10	0.11	0.15
Dec-15	0.22	0.18	0.29	0.22
Jan-16	0.29	0.30	0.35	0.37
Feb-16	0.32	0.37	0.39	0.42
Mar-16	0.30	0.39	0.41	0.44
Apr-16	0.29	0.39	0.39	0.43
May-16	0.30	0.39	0.38	0.43
Jun-16	0.30	0.38	0.43	0.43
Jul-16	0.24	0.37	0.37	0.42
Aug-16	0.24	0.36	0.35	0.43
<b>Average</b>	<b>0.21</b>	<b>0.27</b>	<b>0.29</b>	<b>0.32</b>



## Market Risk: Investment Portfolio

	31-Aug-16			31-Jul-16			Variance		
	Balance (\$)	Yield	Duration	Balance (\$)	Yield	Duration	Balance (\$)	Yield	Duration
<b>Money Market:</b>									
Fed Funds	91,114,238	0.64%	0.003	90,477,947	0.64%	0.003	636,292	0.00%	0.000
Time Deposits	4,239,208	0.80%	0.019	4,239,208	0.80%	0.104	-	0.00%	(0.085)
<b>Total</b>	<b>95,353,446</b>	<b>0.65%</b>	<b>0.003</b>	<b>94,717,155</b>	<b>0.65%</b>	<b>0.007</b>	<b>636,292</b>	<b>0.00%</b>	<b>(0.004)</b>
<b>Other Investments:</b>									
PR Gov. Investment Trust Fund	54,812,055	0.43%	0.079	54,792,051	0.43%	0.164	20,005	-0.01%	(0.085)
<b>Total</b>	<b>54,812,055</b>	<b>0.43%</b>	<b>0.079</b>	<b>54,792,051</b>	<b>0.43%</b>	<b>0.164</b>	<b>20,005</b>	<b>-0.01%</b>	<b>(0.085)</b>
<b>Total Investment Portfolio <sup>1</sup></b>	<b>150,165,502</b>	<b>0.57%</b>	<b>0.031</b>	<b>149,509,205</b>	<b>0.57%</b>	<b>0.065</b>	<b>656,297</b>	<b>0.00%</b>	<b>(0.034)</b>
<b>Unrealized Gain/(Losses)</b>	<b>-</b>			<b>-</b>			<b>-</b>		
	<b>150,165,502</b>	<b>0.57%</b>	<b>0.031</b>	<b>149,509,205</b>	<b>0.57%</b>	<b>0.065</b>	<b>656,297</b>	<b>0.00%</b>	<b>(0.034)</b>

**Notes:**

<sup>1</sup> Total Investment Portfolio, excludes: APLA and HTA Bonds, and PRHFA Reverse REPO.



## Liquidity Risk:

### i. Funding Composition

✓ Deposits decreased \$10 million

	31-Aug-16			31-Jul-16			Variance		
	Balance (\$)	WAC	Duration	Balance (\$)	WAC	Duration	Balance (\$)	WAC	Duration
<b><u>Maturities &lt; 1 year</u></b>									
Demand Deposit Accounts	1,185,189,235	1.23%	0.2	1,196,547,439	1.22%	0.2	(11,358,204)	0.01%	0.0
Escrow Accounts	294,833,672	5.30%	1.0	297,596,380	5.31%	1.0	(2,762,708)	(0.00)	-
Public Deposits	1,744,690,878	1.08%	0.4	1,741,103,396	1.00%	0.3	3,587,482	0.08%	0.1
Private Deposits	31,273,287	1.70%	0.3	31,225,559	1.68%	0.3	47,728	0.00	(0.1)
GDB Notes	895,936,073	4.37%	0.6	669,059,630	4.44%	0.5	226,876,443	-0.07%	0.0
GICS (Variable)	25,531,919	1.03%	0.6	25,531,448	1.03%	0.7	471	0.00%	(0.1)
GICS (Fixed)	15,471,133	1.18%	0.5	15,456,673	1.18%	0.6	14,460	0.00%	(0.1)
<b>Total Maturities &lt; 1 year</b>	<b>4,192,926,197</b>	<b>2.13%</b>	<b>0.39</b>	<b>3,976,520,526</b>	<b>1.97%</b>	<b>0.35</b>	<b>216,405,671</b>	<b>0.15%</b>	<b>0.04</b>
<b><u>Maturities &gt; 1 year</u></b>									
GDB Notes	2,867,252,020	4.96%	4.6	3,094,002,738	4.90%	4.4	(226,750,717)	0.06%	0.2
Public Deposits	189,450,195	3.70%	2.4	188,978,045	3.70%	2.5	472,150	0.00%	(0.1)
Private Deposits	11,628,571	3.77%	4.1	11,628,571	3.77%	4.2	-	0.00%	(0.1)
GICS (Fixed)	19,527,293	5.16%	17.0	19,443,608	5.16%	17.1	83,686	0.00%	(0.1)
GICS (Variable)	10,217,038	0.12%	1.5	10,217,038	0.09%	1.5	-	0.03%	(0.1)
<b>Total- Maturities &gt; 1 year</b>	<b>3,098,075,118</b>	<b>4.87%</b>	<b>4.51</b>	<b>3,324,270,000</b>	<b>4.82%</b>	<b>4.35</b>	<b>(226,194,881)</b>	<b>0.05%</b>	<b>0.16</b>
<b>Total Funding</b>	<b>7,291,001,316</b>	<b>3.29%</b>	<b>2.14</b>	<b>7,300,790,526</b>	<b>3.27%</b>	<b>2.17</b>	<b>(9,789,210)</b>	<b>0.02%</b>	<b>(0.03)</b>
<b>Deposits</b>	<b>3,527,813,223</b>	<b>1.65%</b>	<b>0.6</b>	<b>3,537,728,158</b>	<b>1.31%</b>	<b>0.5</b>	<b>(9,914,935)</b>	<b>0.34%</b>	<b>0.0</b>
<b>Borrowings</b>	<b>3,763,188,093</b>	<b>4.82%</b>	<b>3.6</b>	<b>3,763,062,368</b>	<b>4.82%</b>	<b>3.7</b>	<b>125,725</b>	<b>0.00%</b>	<b>(0.1)</b>
<b>Total Funding</b>	<b>7,291,001,316</b>	<b>3.29%</b>	<b>1.87</b>	<b>7,300,790,526</b>	<b>3.12%</b>	<b>2.2</b>	<b>(9,789,210)</b>	<b>0.35%</b>	<b>0.0</b>





## Liquidity Risk:

### ii. Time Deposits

	31-Aug-16		31-Jul-16		Variance	
	Balance (\$)	WAC	Balance (\$)	WAC	Balance (\$)	WAC
<b>Public Agencies</b>						
PR Department of Treasury	215,783,354	1.05%	215,612,940	0.93%	170,413	0.12%
PR Infrastructure Financing Authority (AFI)	181,635,185	0.52%	181,579,975	0.52%	55,210	0.00%
PR Housing Finance Authority	141,676,593	1.36%	141,565,093	1.38%	111,500	-0.02%
PR Land Management	36,107,150	1.13%	36,107,150	1.13%	-	0.00%
PR Tourism Company	27,753,130	2.35%	27,697,134	2.35%	55,997	0.00%
PR Industrial Development Company	24,134,970	2.35%	24,128,230	0.63%	6,740	1.72%
PR Integral Fund for Agricultural Development (FIDA)	12,048,000	1.23%	12,000,000	0.80%	48,000	0.43%
Others	24,092,265	-	25,367,579	-	(1,275,314)	-
<b>Total</b>	<b>663,230,648</b>	<b>1.02%</b>	<b>664,058,102</b>	<b>0.97%</b>	<b>(827,454)</b>	<b>0.05%</b>
<b>Public Corporations</b>						
Municipal Financing Corporation (COFIM)	243,196,003.68	0.88%	243,049,161.50	0.75%	146,842	0.13%
PR Electric Power Authority	144,653,006	1.14%	144,511,446	1.14%	141,561	0.00%
PR Insurance Fund Corporation (CFSE)	30,442,551	1.50%	30,442,551	1.50%	-	0.00%
PR Public Building Authority	30,309,923	0.90%	30,268,091	0.90%	41,831	0.00%
PR Ports Authority	19,203,475	1.19%	19,203,475	1.19%	-	0.00%
PR Highways and Transportation Authority	15,228,363	3.00%	15,112,500	3.00%	115,863	0.00%
PR Waste Management	11,884,752	3.00%	11,884,752	3.00%	-	0.00%
Others	20,797,477	-	20,786,049	-	11,428	-
<b>Total</b>	<b>515,715,551</b>	<b>1.10%</b>	<b>515,258,026</b>	<b>1.04%</b>	<b>457,525</b>	<b>0.06%</b>
<b>Other Institutions</b>						
Tourism Development Fund	152,023,970	1.85%	152,023,970	1.85%	-	0.00%
Municipal Fund Administration	131,153,943	1.25%	131,085,305	0.65%	68,638	0.60%
Special Communities Trust Fund	101,491,242	2.44%	101,490,835	2.44%	406	0.00%
University of Puerto Rico	91,555,864	0.59%	91,505,057	0.58%	50,807	0.01%
Science, Technology and Research Trust Fund	83,883,737	4.92%	83,529,958	4.92%	353,779	0.00%
Special Funds - Municipal Loans	48,287,777	0.92%	48,287,777	0.92%	-	0.00%
PPP Toll Roads Excess Fund	26,566,986	0.85%	26,566,986	0.85%	-	0.00%
Others	30,001,905	-	29,979,864	-	22,041	-
<b>Total</b>	<b>664,965,424</b>	<b>1.91%</b>	<b>664,469,753</b>	<b>1.79%</b>	<b>495,671</b>	<b>0.12%</b>
<b>Municipalities</b>						
<b>Total Municipalities</b>	<b>160,976,834</b>	<b>1.36%</b>	<b>156,944,327</b>	<b>1.35%</b>	<b>4,032,507</b>	<b>0.01%</b>
<b>Total Public Funding</b>	<b>2,004,888,457</b>	<b>1.36%</b>	<b>2,000,730,208</b>	<b>1.29%</b>	<b>4,158,249</b>	<b>0.07%</b>



## Liquidity Risk:

### iii. DDAs - Public Agency & Corp.

AGENCIES	Balance as of 8/31/2016	Balance as of 7/31/2016	Variance August vs July
DEPARTAMENTO DE HACIENDA - Cuenta Operacional	200,513,925	201,123,369	(609,444)
DEPARTAMENTO DE HACIENDA	85,694,593	85,687,325	7,269
DEPARTAMENTO DEL TRABAJO Y RECURSOS HUMANOS	81,722,000	81,717,956	4,045
FONDO DE ADMINISTRACION MUNICIPAL	80,586,906	80,580,062	6,844
AFI	50,370,945	50,605,653	(234,708)
BANCO GUBERNAMENTAL DE FOMENTO	37,922,495	37,269,882	652,613
AUTORIDAD PARA EL FINANCIAMIENTO DE LA VIVIENDA	31,185,438	32,235,598	(1,050,160)
ADMINISTRACION DE RETIRO DE GOBIERNO Y LA ADJUDICATURA	32,041,412	32,040,379	1,033
ADMINISTRACION DE DESARROLLO EMPRESAS AGROPECUARIA	26,191,003	26,239,203	(48,200)
COFINA	26,177,771	26,177,771	0
PUBLIC FINANCE CORPORATION (PFC)	17,570,409	17,570,306	102
FIDEICOMISO DE LOS NIÑOS	16,798,129	16,796,707	1,422
AUTORIDAD DE CARRETERAS Y TRANSPORTACION	14,795,015	14,819,490	(24,475)
AUTORIDAD DE TIERRAS	14,587,931	14,742,217	(154,287)
JUNTA DEL GOBIERNO 911	12,157,730	12,156,757	973
CORPORACION DEL FONDO DEL SEGURO DEL ESTADO	12,074,576	12,073,553	1,023
PRASA	11,305,039	11,304,477	562
OTHERS	146,156,228	151,955,362	(5,799,134)
<b>TOTAL</b>	<b>897,851,545</b>	<b>905,096,068</b>	<b>(7,244,523)</b>



## Loan Portfolio Monthly Change

	Ending Balances				Variance
	8/31/2016 Balance (\$)	% of Total	7/31/2016 Balance (\$)	% of Total	Balance (\$)
<b><u>Municipal Loans:</u></b>					
FAM	168,134,829	1.92%	168,134,829	1.92%	0
COFIM	326,188,127	3.72%	326,188,127	3.72%	0
Municipal Accrual	2,035,700,904	23.20%	2,035,764,994	23.19%	(64,091)
<b>Total Municipal Loans</b>	<b>2,530,023,860</b>	<b>28.83%</b>	<b>2,530,087,950</b>	<b>28.82%</b>	<b>(64,091)</b>
<b><u>Public Agencies and Corporations Loans:</u></b>					
Public Loans Agencies & Corporations	384,321,490	4.38%	386,079,502	4.40%	(1,758,011)
Public Loan Agencies & Corps. Others	17,352,294	0.20%	17,323,754	0.20%	28,540
Public Sector Corp Non Accrual	5,417,046,187	61.73%	5,417,329,942	61.72%	(283,755)
Public Sector APLA & PRHT BONDS	200,000,000	2.28%	200,000,000	2.28%	0
Public Sector APLA Non Accrual	225,533,700	2.57%	225,533,700	2.57%	0
<b>Total Public Agency &amp; Corp. Loans</b>	<b>6,244,253,672</b>	<b>71.16%</b>	<b>6,246,266,898</b>	<b>71.16%</b>	<b>(2,013,226)</b>
<b>Total Public Loan Portfolio</b>	<b>8,774,277,532</b>	<b>99.99%</b>	<b>8,776,354,849</b>	<b>99.99%</b>	<b>(2,077,317)</b>
<b><u>Private Loan Portfolio</u></b>					
Private Sector Accrual	40,000	0.00%	40,000	0.00%	0
Private Sector Non Accrual	316,948	0.00%	319,948	0.00%	(3,000)
Mortgage Loans	742,897	0.01%	759,703	0.01%	(16,806)
<b>Total Private Loan Portfolio</b>	<b>1,099,845</b>	<b>0.01%</b>	<b>1,119,652</b>	<b>0.01%</b>	<b>(19,806)</b>
<b>Total Loan Portfolio</b>	<b>8,775,377,377</b>	<b>100.00%</b>	<b>8,777,474,500</b>	<b>100.00%</b>	<b>(2,097,123)</b>
<b><u>Other Transactions &amp; Adjustments</u></b>					
Loan Loss Reserve	(2,504,263,593)		(2,504,263,593)		0
Transfer To Other Funds (Principal Portion)	207,452,160		207,452,160		0
Sec Purch to Resell - Subs (Repo AFV)	24,844,801		24,844,801		0
<b>Net Total Loan Portfolio</b>	<b>6,503,410,745</b>		<b>6,505,507,869</b>		<b>(2,097,123)</b>



As of Aug 31, 2016

