



BABSON
COLLEGE



PUERTO RICO CONFERENCE

Entrepreneurship for Growth

2010

March 24, 2010 | Conrad San Juan Condado Plaza | 7:30 a.m. - 5:00 p.m.

P u e r t o R i c o C h a m b e r o f C o m m e r c e



Access to Capital: Venture Capital, Private Equity, Financing and Mutual Fund Industry

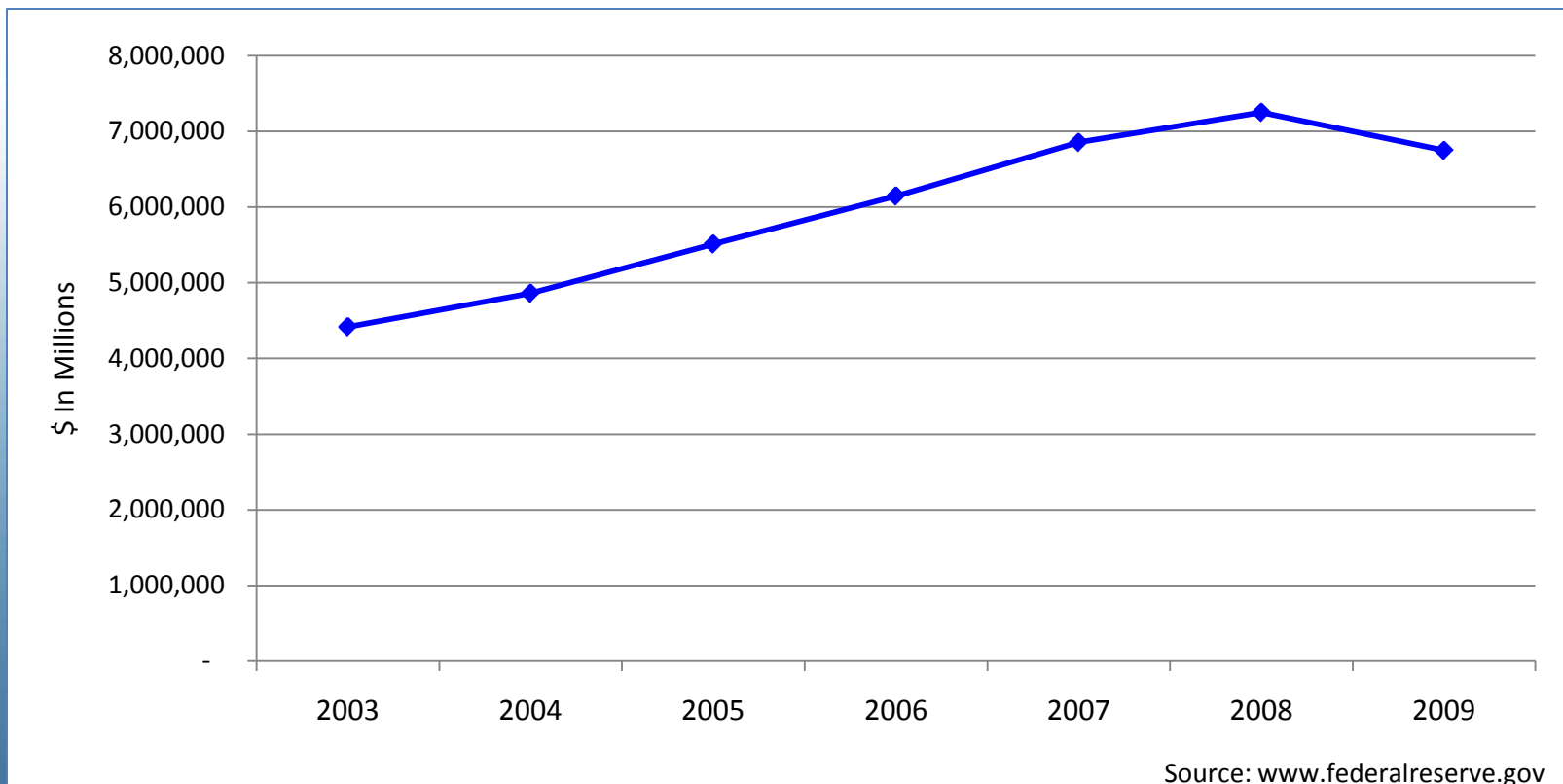
By: Carmen Rocafort

Senior Vice President

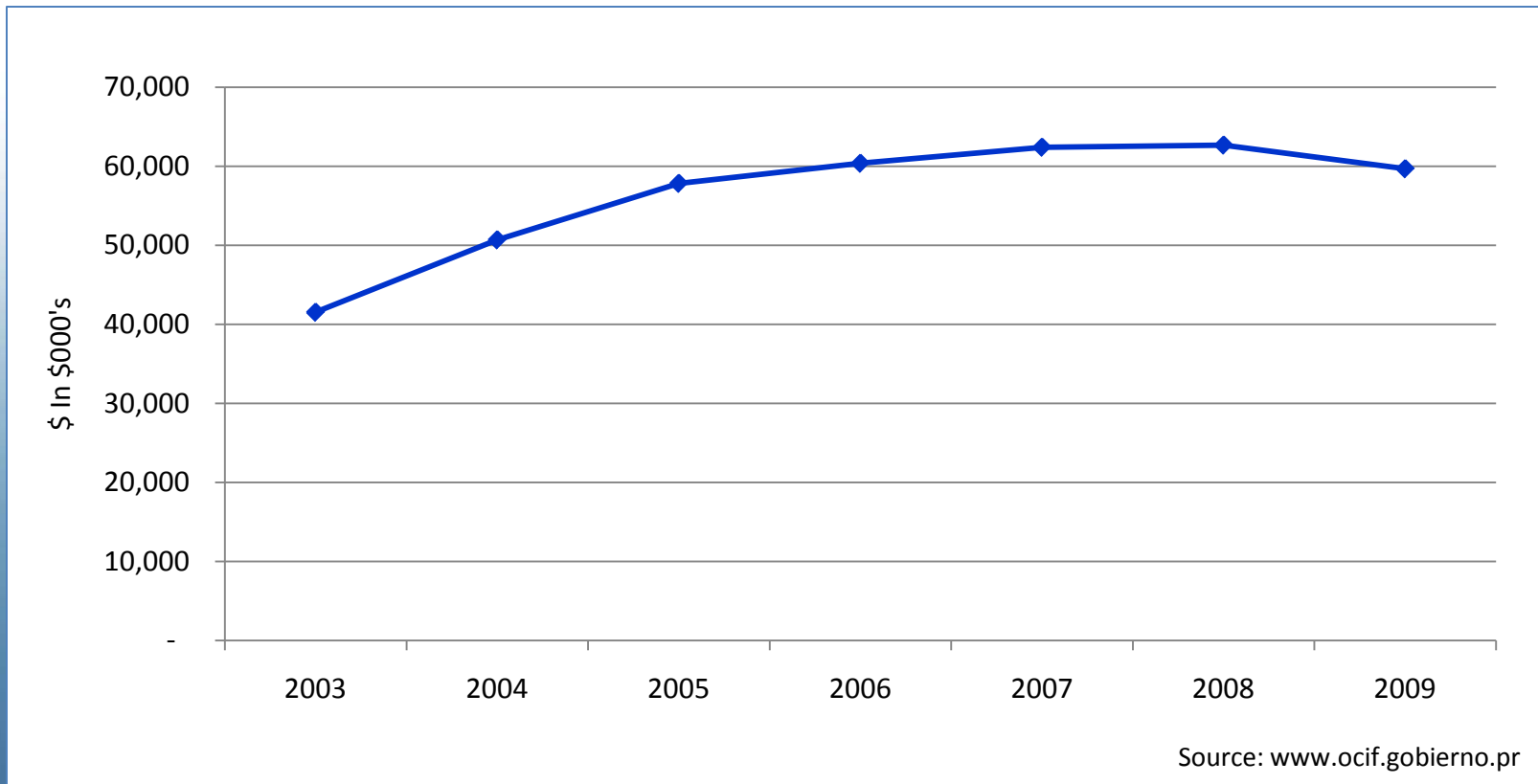
Structured Finance & Corporate Banking

FirstBank

US Commercial Banks: Total Loan Portfolio

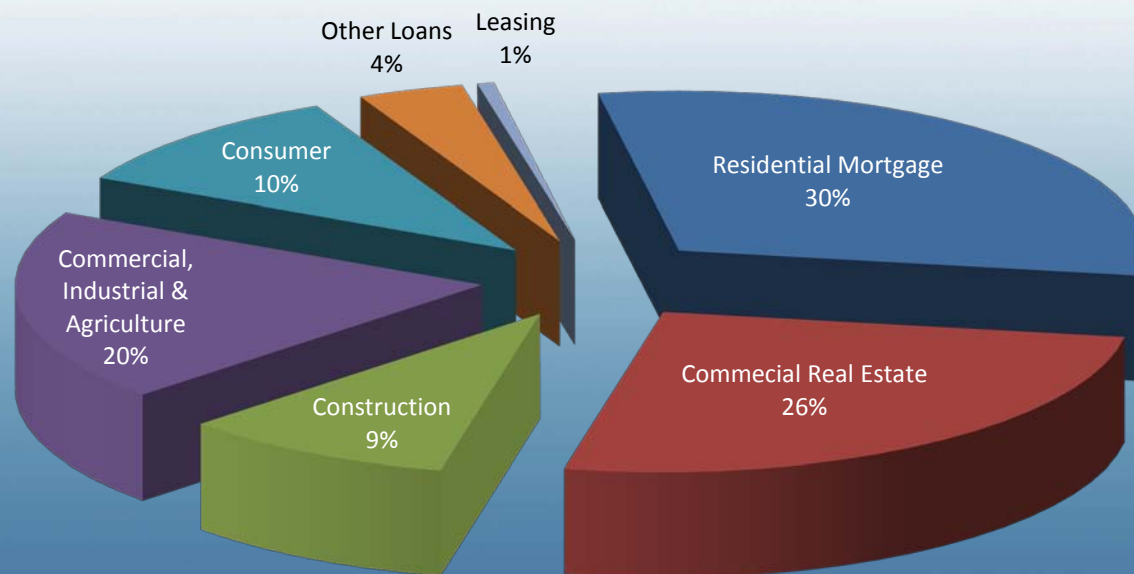


PR Commercial Banks: Total Loan Portfolio



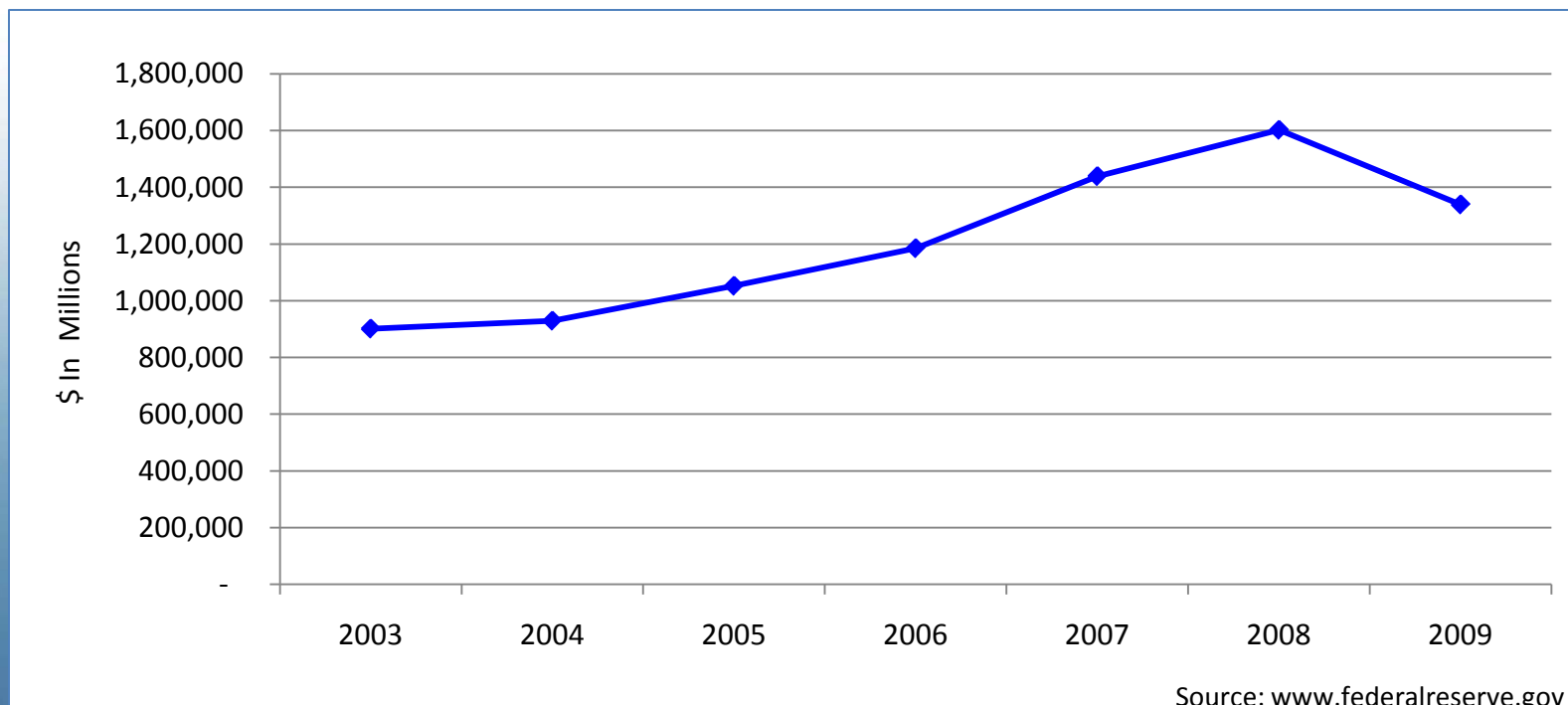
PR Commercial Banks: Total Loan Portfolio Distribution

As of December 31, 2009

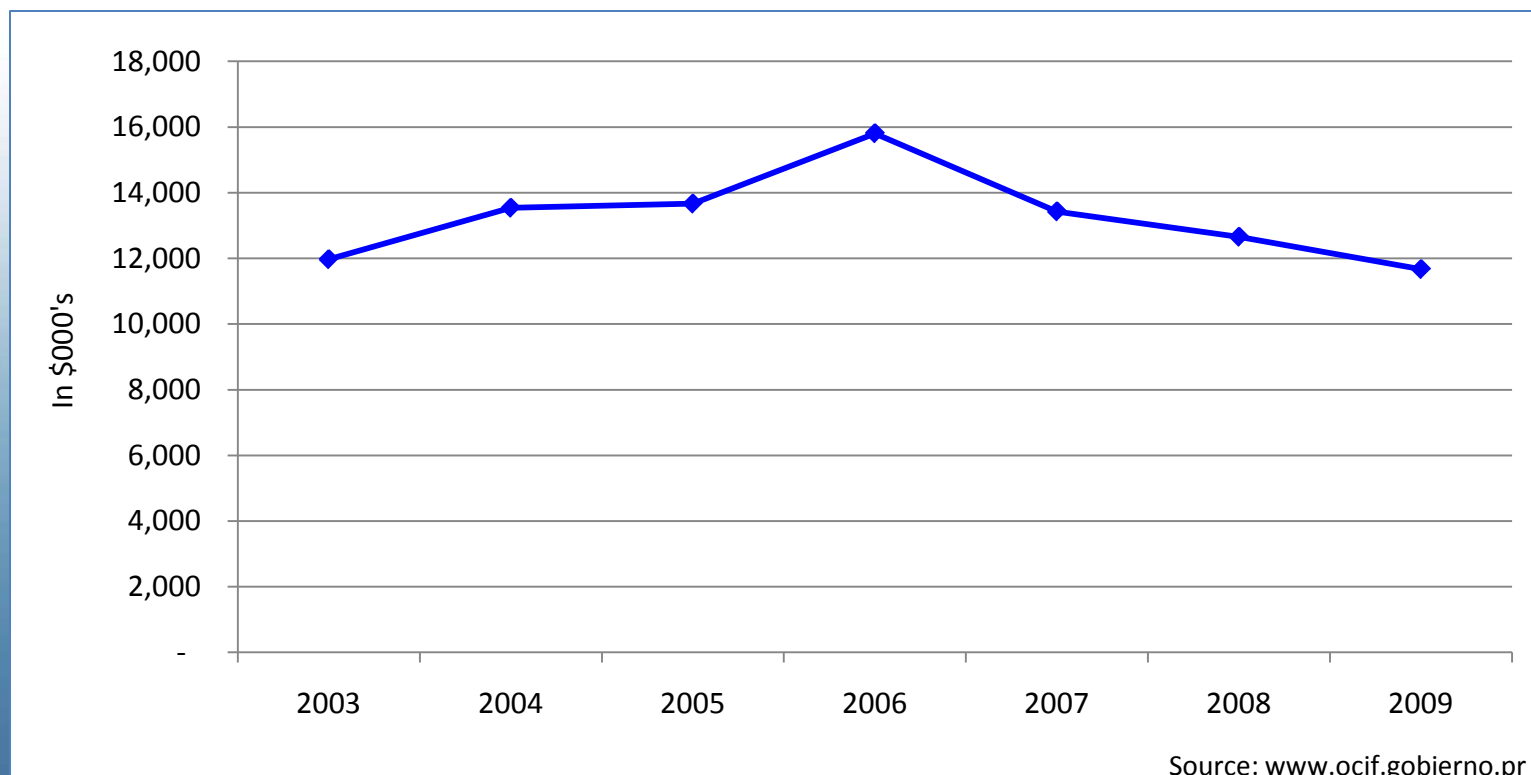


Source: www.ocif.gobierno.pr

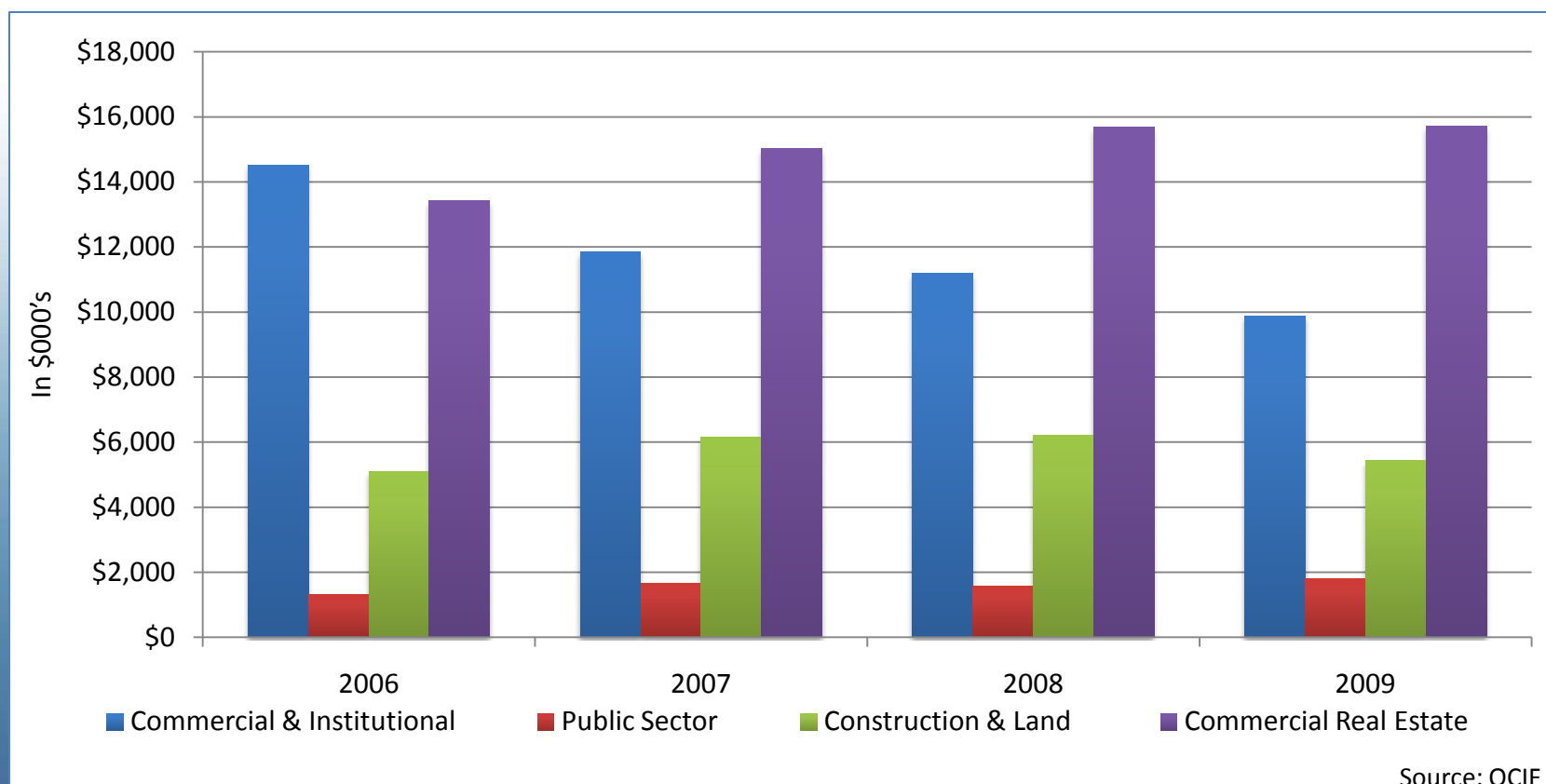
US Commercial Banks: Commercial & Industrial Loan Portfolio



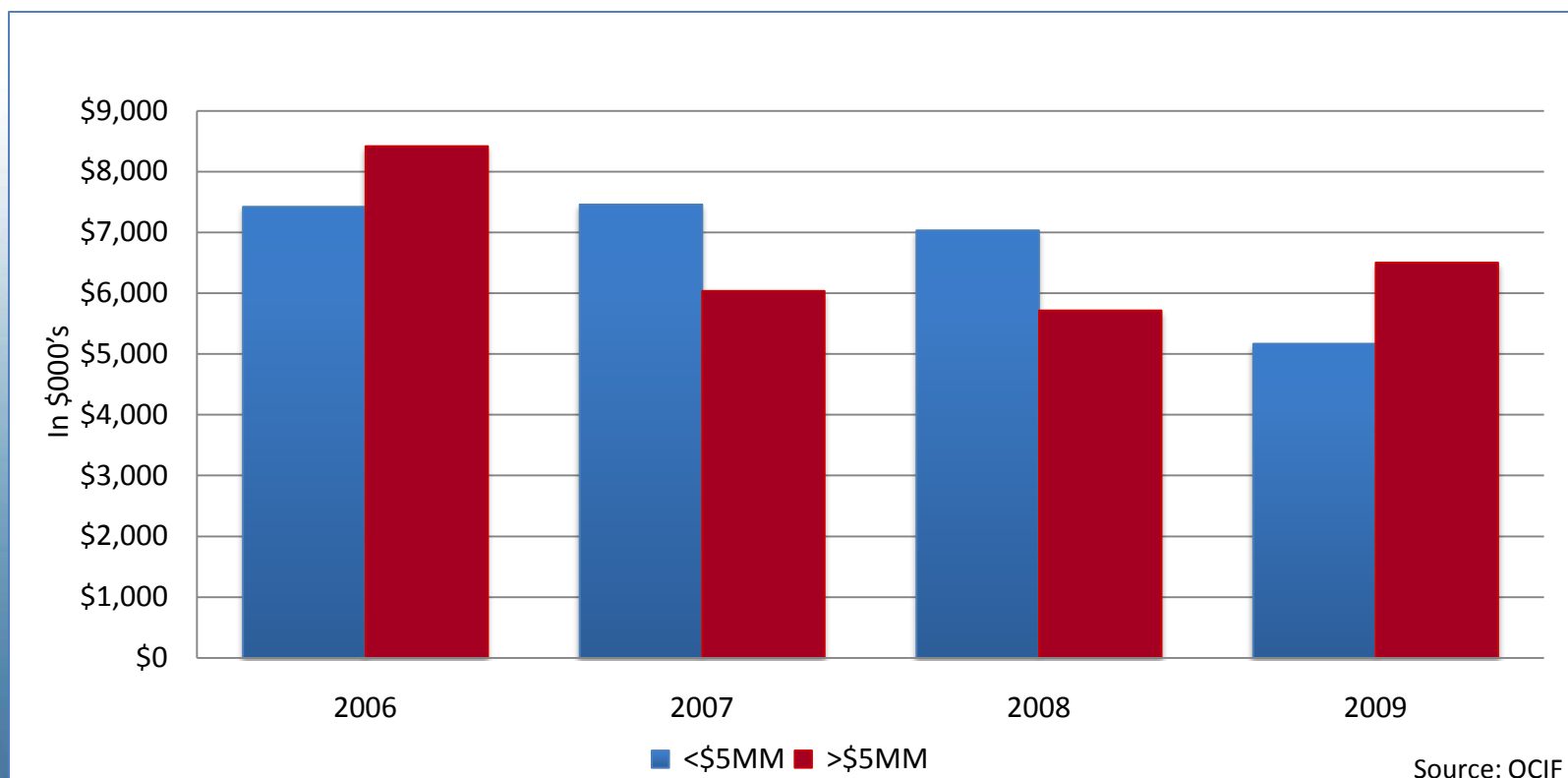
PR Commercial Banks: Commercial & Industrial Loan Portfolio



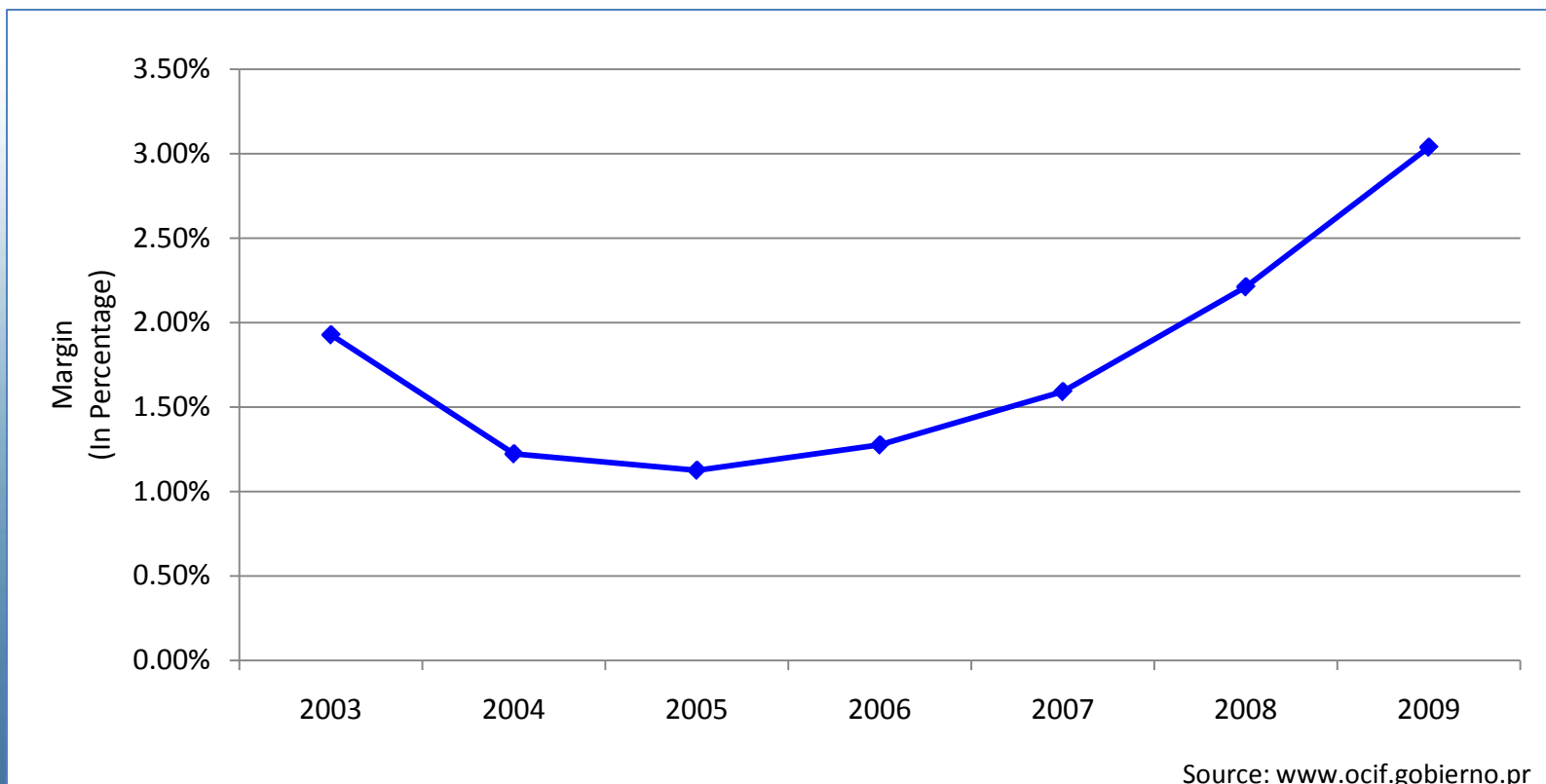
PR Commercial Banks: Commercial Loan Portfolio By Type



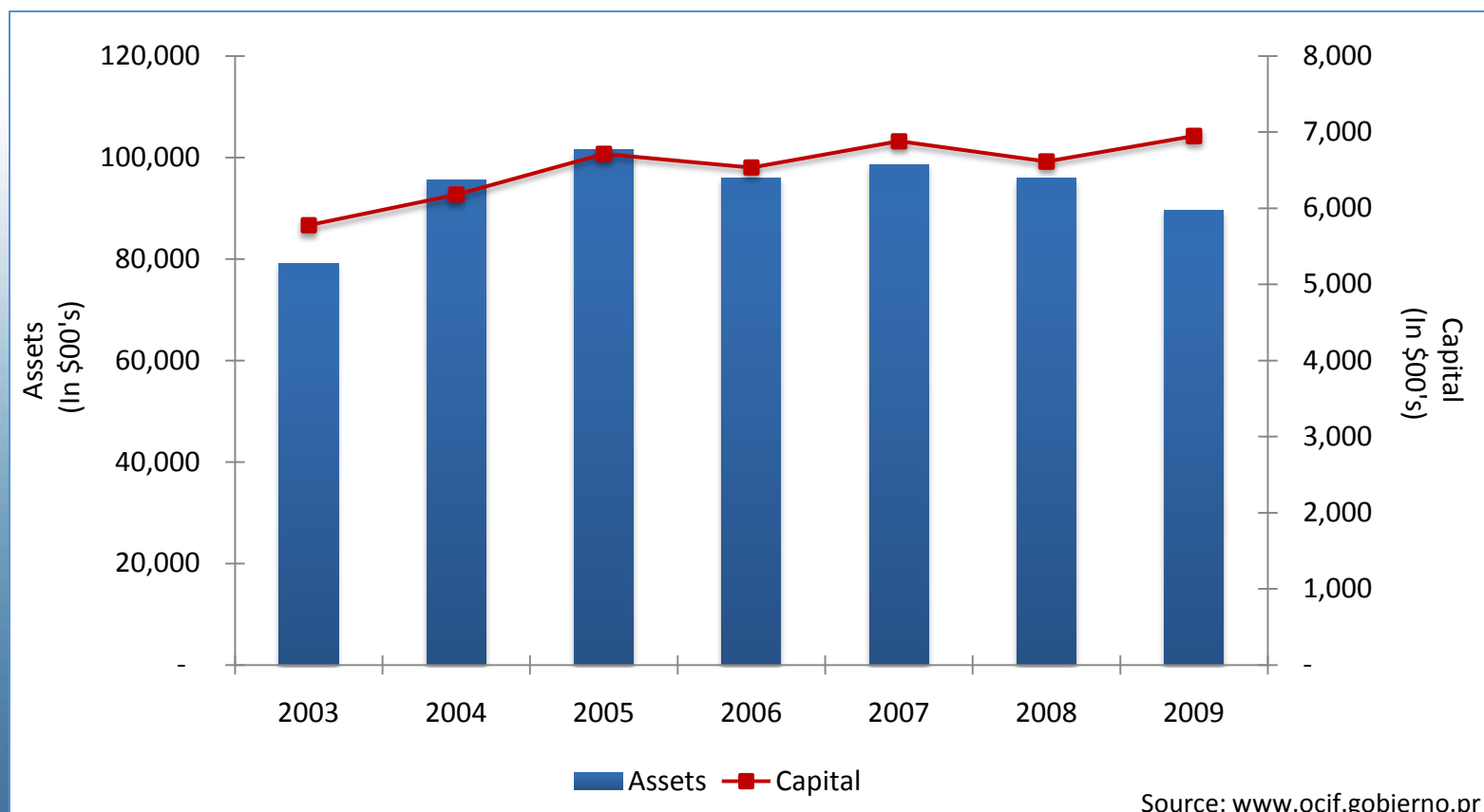
PR Commercial Banks: Commercial Loans Portfolio By Amount



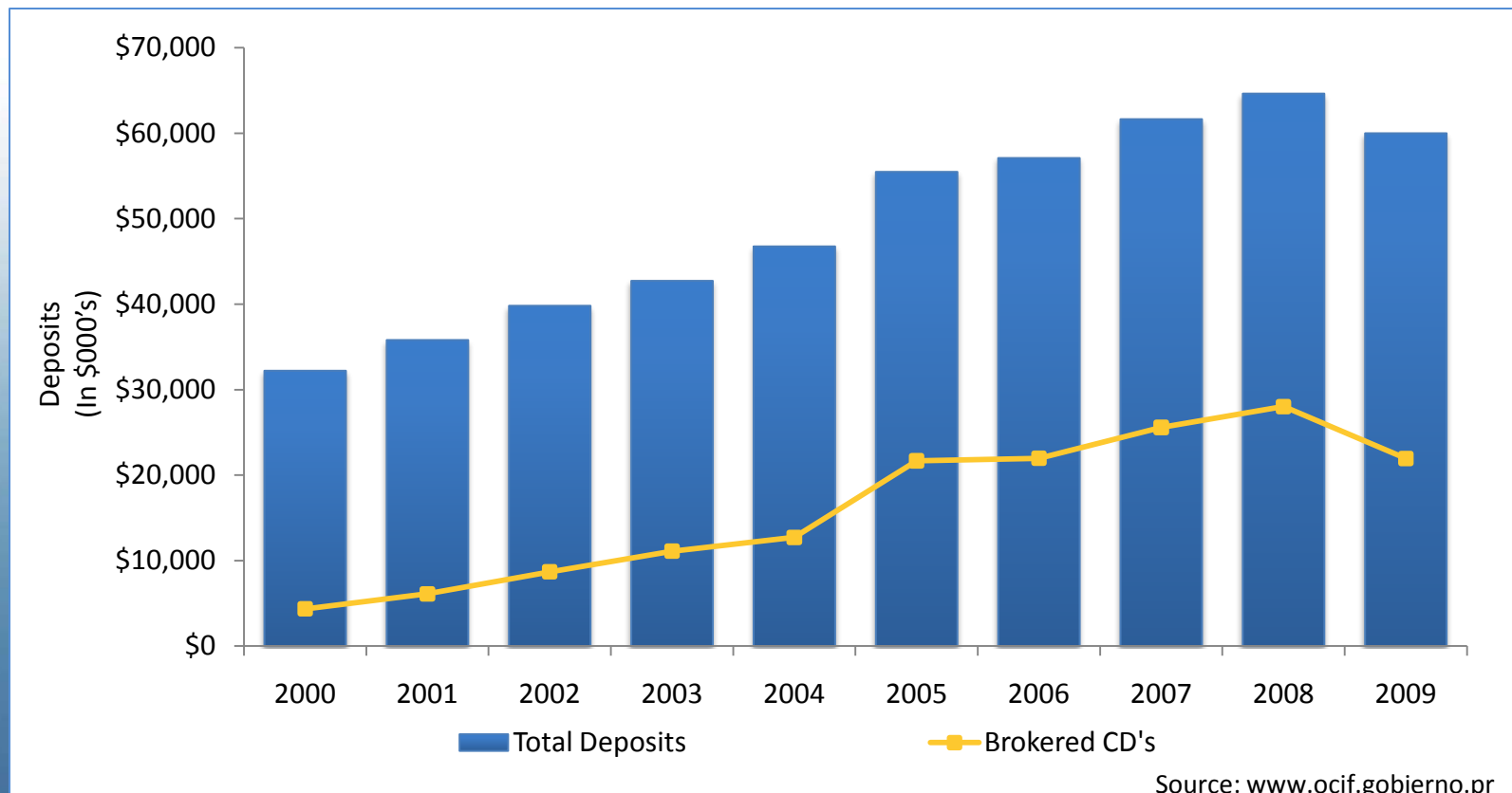
PR Commercial Banks: Loan Loss Reserve % of Total Loans



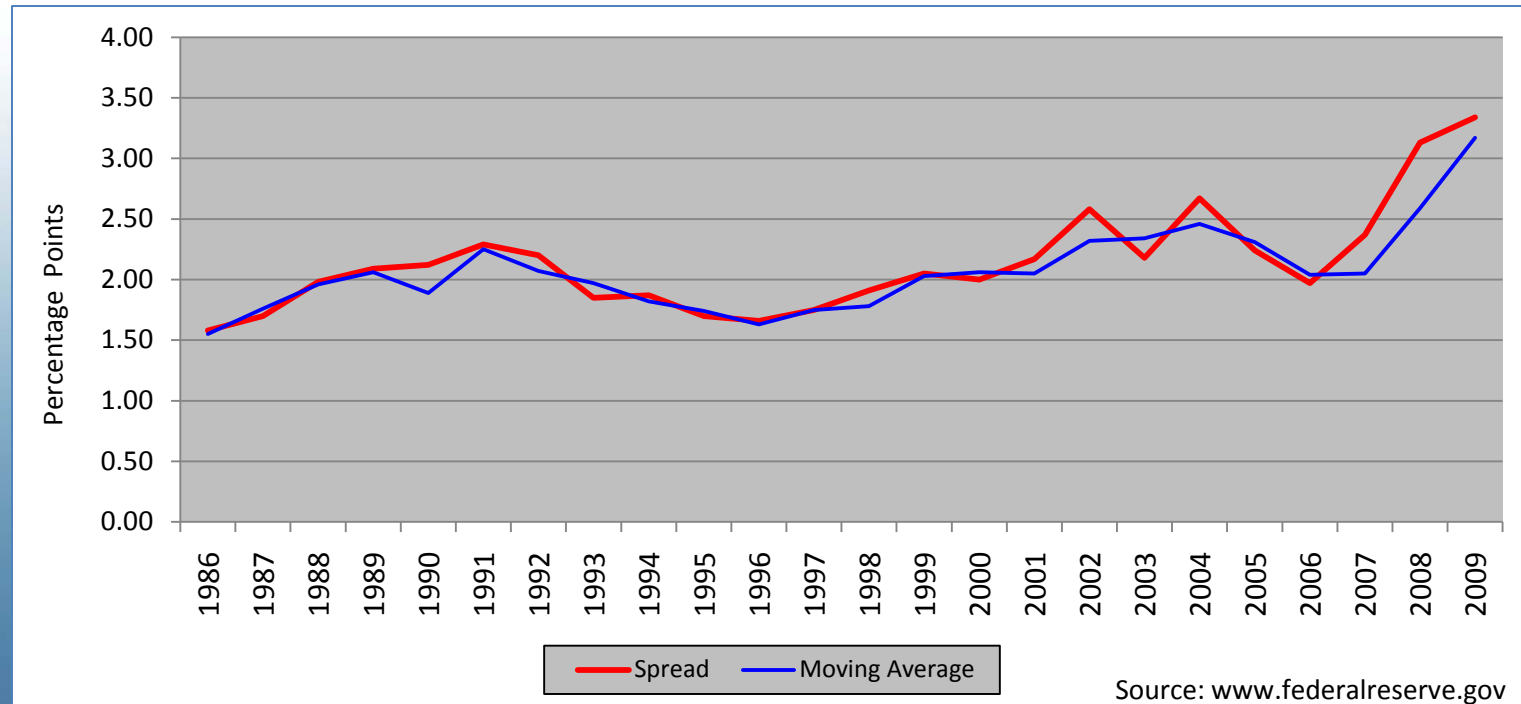
PR Commercial Banks: Total Assets and Capital



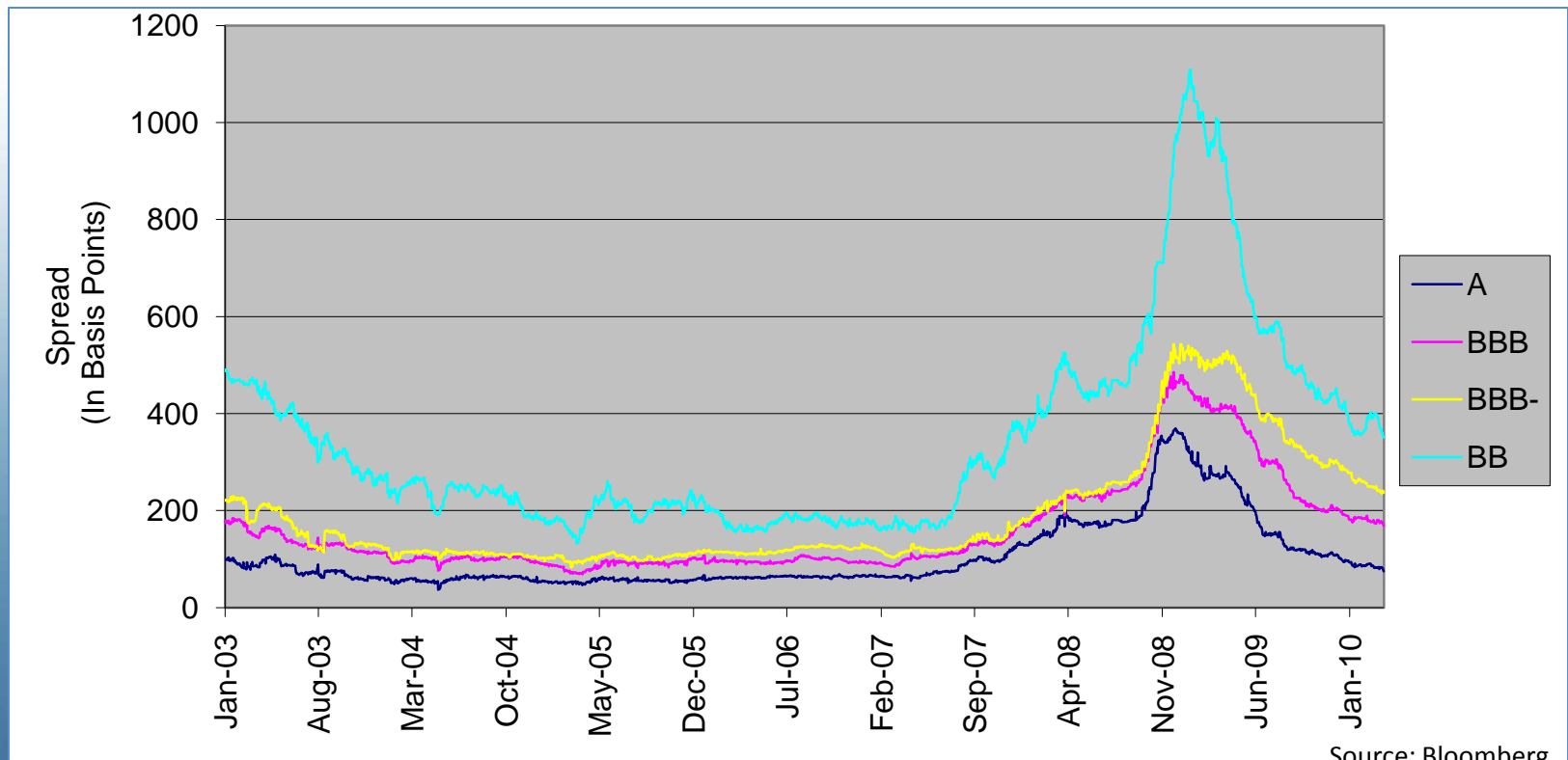
PR Commercial Banks: Total Deposits



Commercial & Industrial Loans Spreads for Domestic Banks (Spreads over intended federal funds rate)

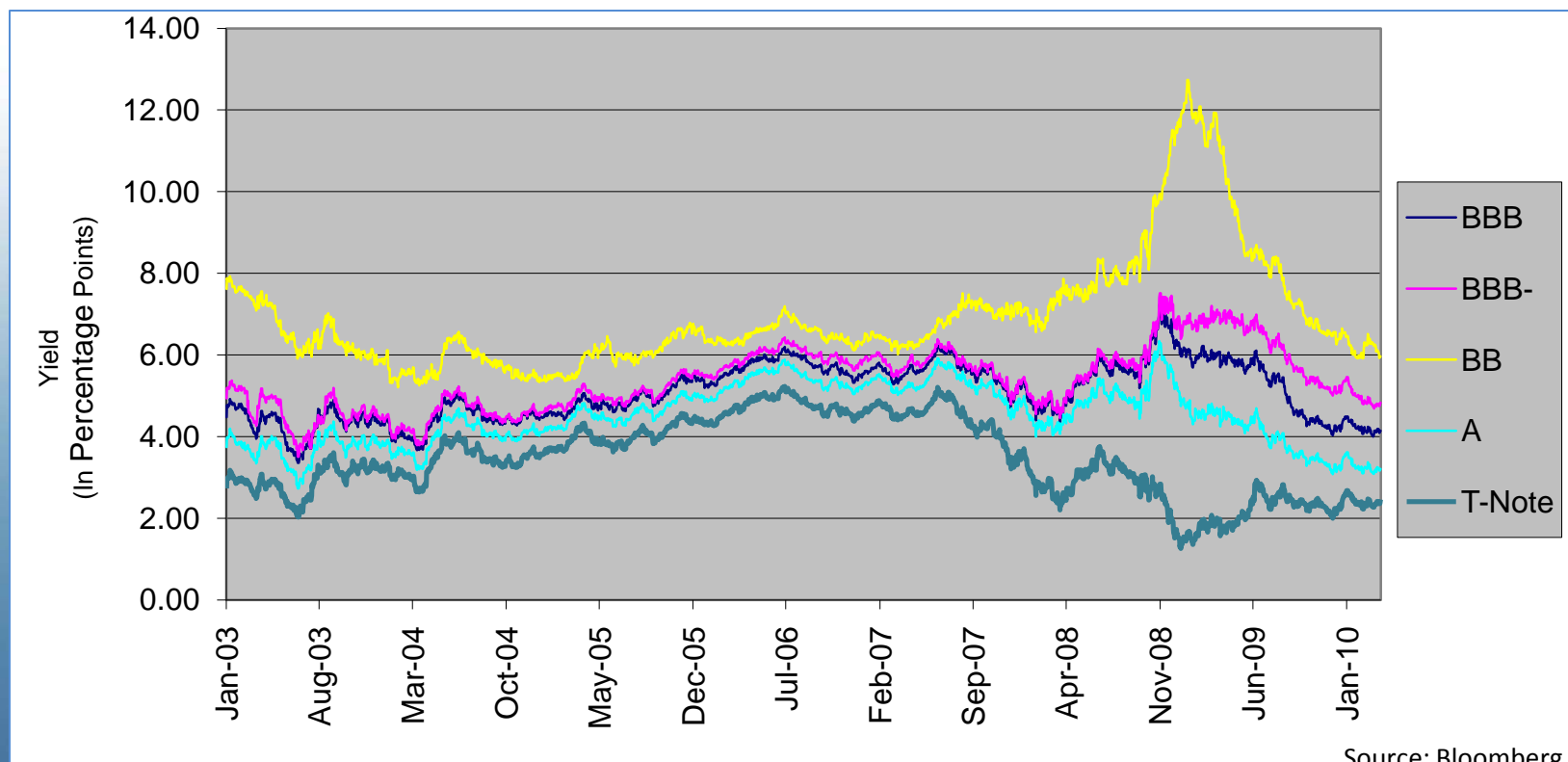


US Industrials Corporate Bonds 5yr Tenor (Spread over 5yr T-Note)



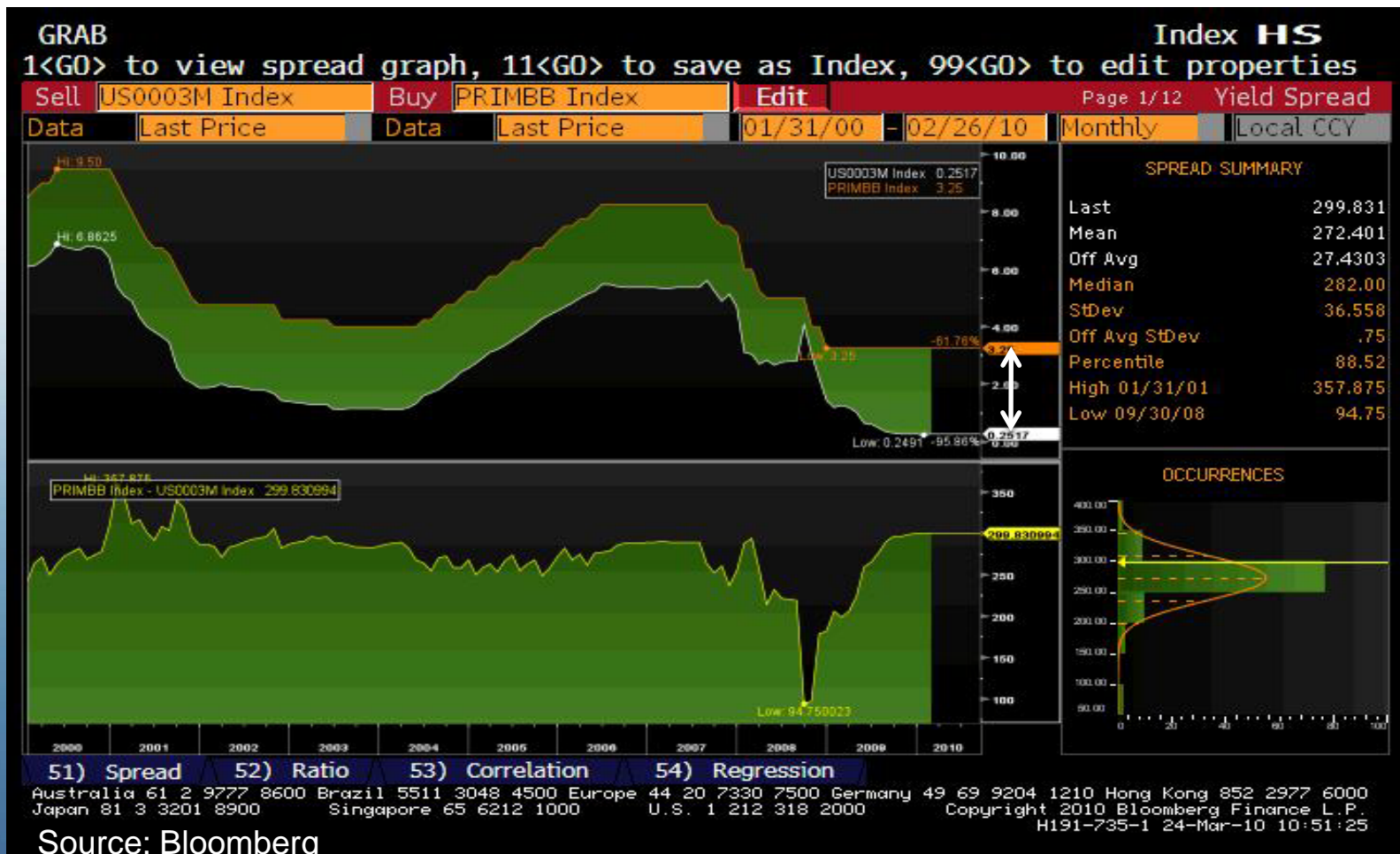
Source: Bloomberg

US Industrials Corporate Bonds 5yr Tenor (Yields vs. 5yr T-Note)



Source: Bloomberg

3Month Libor (US 0003M Index) & Prime Rate (PRIMB Index)



Trends:

- Loan growth has been negative among commercial banks in the US and PR.
- Customers have less inventory to finance, have experienced declines in cash flow levels or reduced asset valuations. Also many projects and expansion plans have been postponed or delayed.
- Banks have been tightening underwriting guidelines for the extension of credit. Focus on asset quality and the work out of construction loan portfolios which is key for the recovery of the industry.
- Banks have increased pricing on new loans and renewals and generate other income to compensate for increase costs and offset the drag of non-performing loans.

New client behavioral patterns emerging given lessons learned in the process of obtaining financing and raising capital during a recession:

- Local clients are becoming more selective when doing business with financial institution. Trend observed is for a reducing number of average banking relationships per commercial client.
- Due to price increases refinancings have declined and occur mostly when there is a funding need that can not be postponed.
- US. borrowers shifting gears and realizing the importance of having a strong relationship with a local bank in the markets in which they operate.
- Lessened reliance on pricing as criteria for selection as opposed to other more intangible value added aspects of a banking relationship.

How can the process of obtaining bank financing can be facilitated under current market conditions:

- Develop a financing and capital plan that is in line with your business needs within a two to three year horizon.
- Determine the desirable Debt to Equity structure for your business.
- Up to date reliable financial information is key. Strive to maintain adequate accounting and financial reporting systems.
- Establish a management succession plan for your business.
- Maintain your banker informed of recent developments (positive and negative). Discuss and obtain feedback on potential future financing needs.



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