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PUERTO RICO
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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

The Local Capital Market Has Come of Age

Carlos V. Ubiñas – Chief Executive Officer
UBS International & Puerto Rico

March 24, 2010



Local Capital Market

Puerto Rico's Local Capital Market

PR and the US are Separate Fiscal Jurisdictions

PR and US tax systems are independent

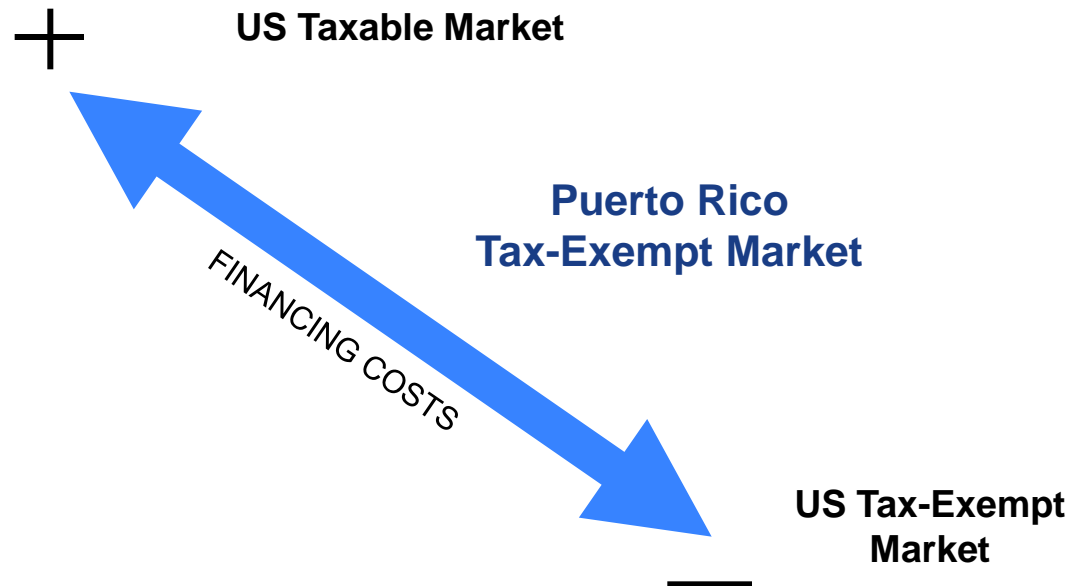
- ◆ Zero federal taxes (PR source income and estate tax)
- ◆ Zero or reduced local taxes on government and corporate debt
- ◆ Zero local estate taxes on Puerto Rico assets
- ◆ 10% dividend and 10% capital gains local tax rates (individuals)

Tax-exempt market is unique to Puerto Rico

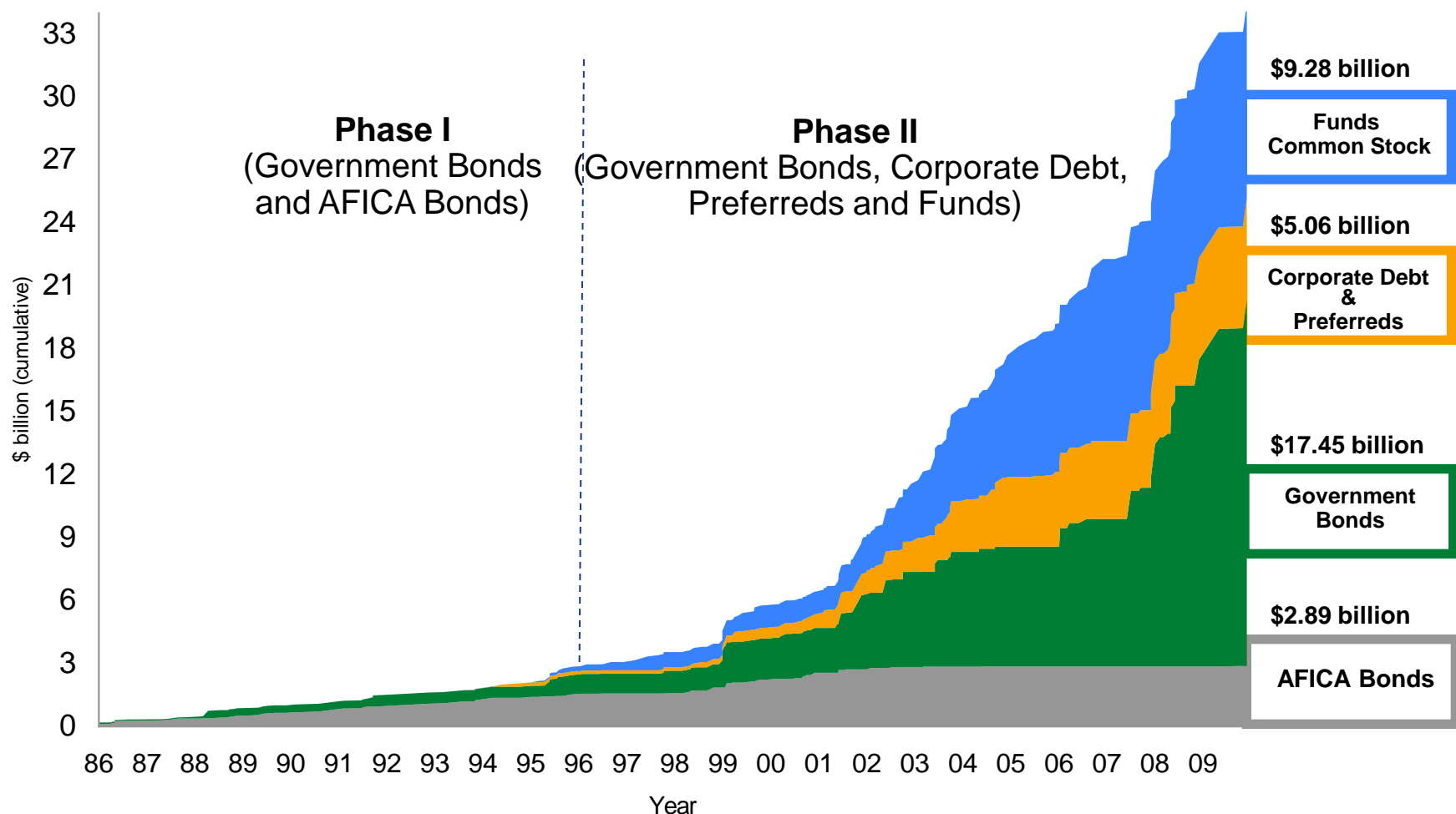
Puerto Rico's Local Capital Market

Puerto Rico's capital markets provide lower financing costs

- ◆ Investment Grade market
- ◆ Flexible maturities of up to 40 years
- ◆ Fixed interest rates
- ◆ Typically priced between the US tax-exempt and US taxable markets



Evolution of the Local Capital Market



Includes: Local market AFICAs and Puerto Rico Government bonds, (ii) corporate notes and preferred stocks (except equity-linked notes issued by local banks and securities related to the funds' leverage program), and (iii) closed-end and open-end funds that invest in fixed income securities. Source: GDB, UBS, Santander, estimated figures obtained by Popular (3/8/10).

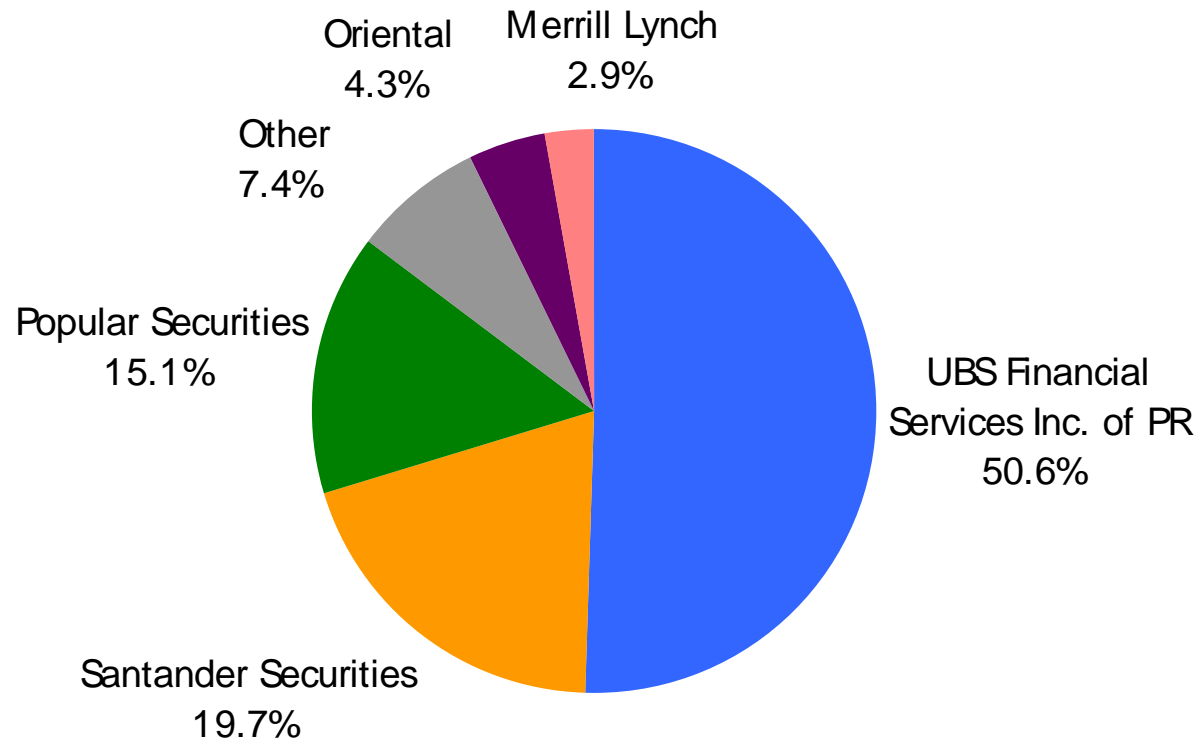
Local Capital Market - Retail Investors

Profile of local retail investors (individuals and corporations)



Local Capital Market - Retail Investors

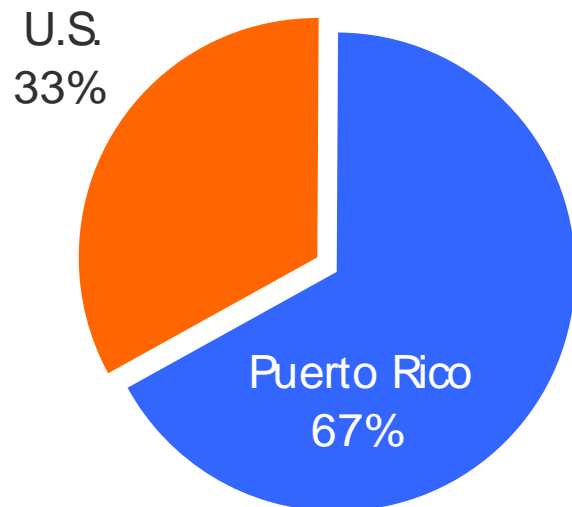
UBS PR has approximately 51% of the total retail brokerage assets in Puerto Rico



Local Capital Market – Puerto Rico Funds

Typical Puerto Rico Fixed Income Fund

Geographic Diversification



Investment Portfolio

Typical US Investments:

- Govt. Agencies
- US MBS
- Fed Home Loan Bank
- US Municipals

Typical PR Investments:

- PR Municipals
- PR MBS
- PR Bank Preferred
- PR AFICA

Local Capital Market – Puerto Rico Funds

UBS Funds are the largest holders of Puerto Rico municipal paper

UBS Funds Highlights

Founded in 1995

Assets Under Management: \$9.1bn

Num. of employees: 15

Num. of funds managed: 26

Cumulative experience of: 230+ yrs

Credit Segmentation

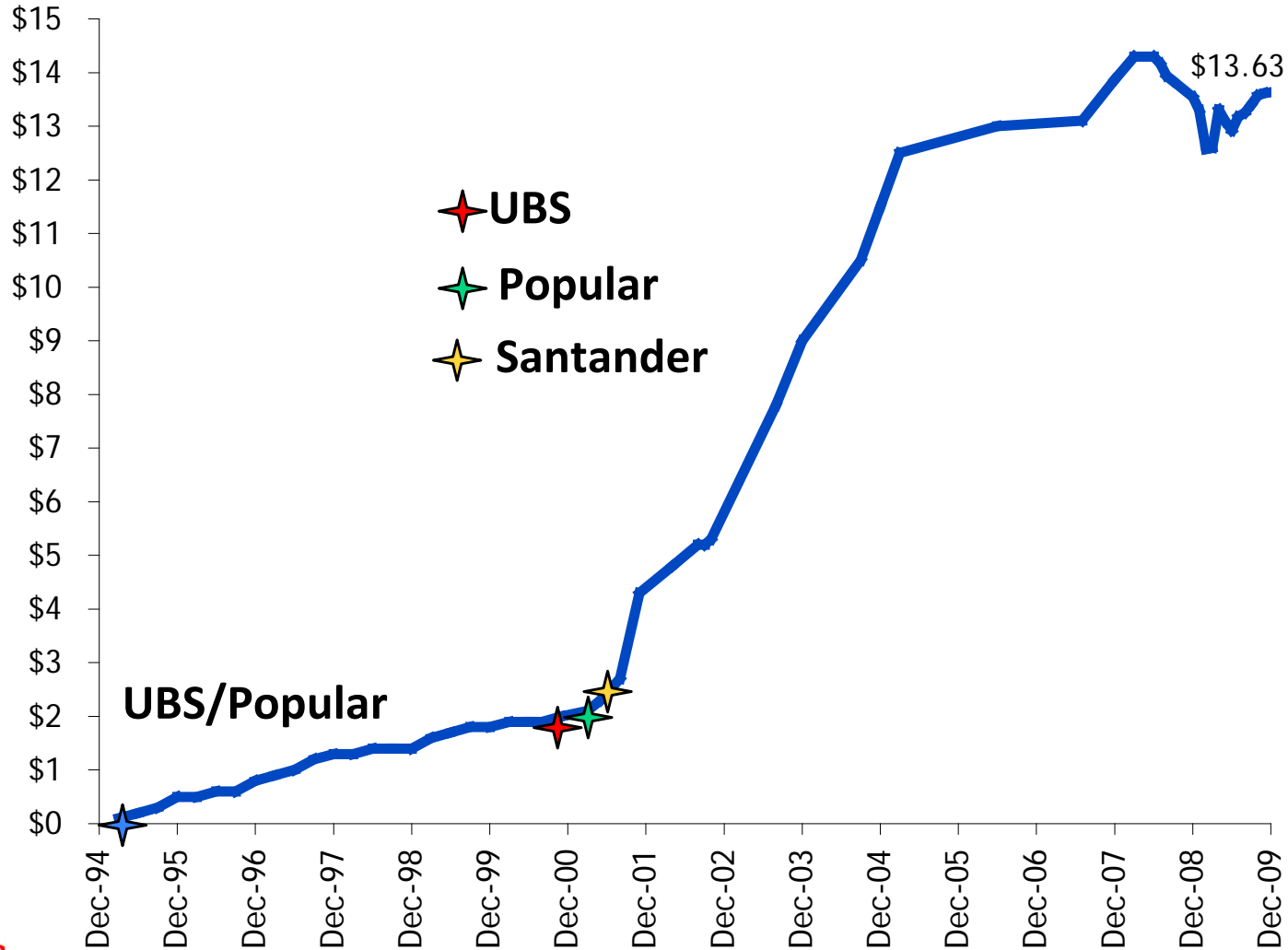
<u>Closed-End Fund Category</u>	<u>Num. of Funds</u>
AAA at least 95% rated AAA	5
Traditional (PRITFF, Tax-Free) at least 95% investment grade	10
Enhanced Yield (FIF) at least 80% investment grade up to 20% High Yield	6
Mortgage-Backed at least 95% Investment grade up to 45% in non-conforming mtge loans at least 80% in MBS and U.S. Gov't Agencies	1
GNMA at least 90% in AAA securities at least 60% in GNMA at least 80% in GNMA and US Gov't agencies	1

UBS Funds held \$6.4 billion in local securities and \$4.5 billion in Puerto Rico municipal paper



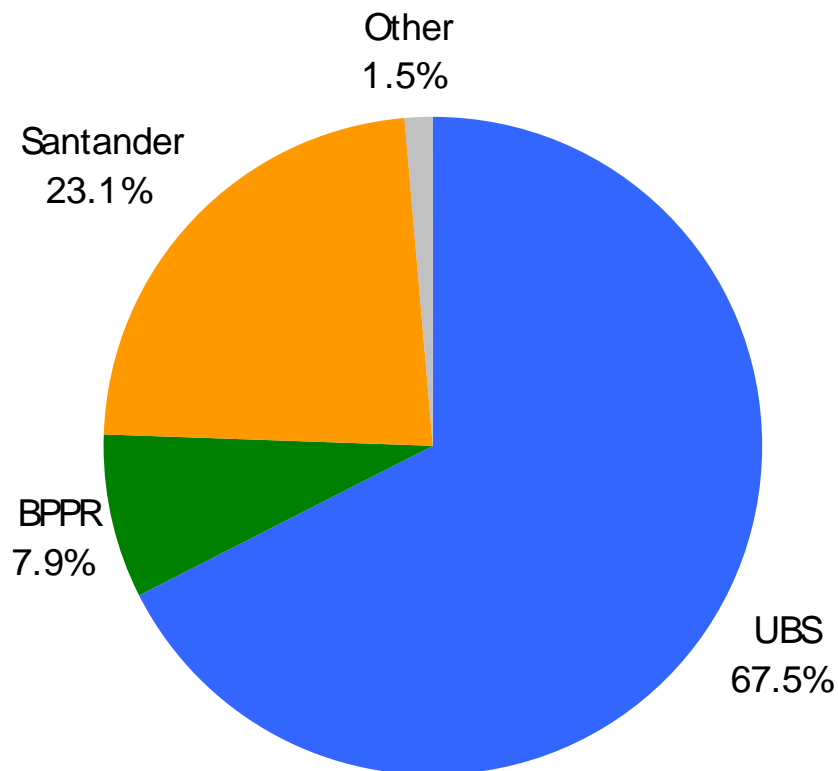
Local Capital Market – Puerto Rico Funds

Local mutual funds market was initiated in 1994 and currently has over **\$13.6 billion in assets**



Local Capital Market – Puerto Rico Funds

UBS Asset Managers of Puerto Rico have over 67% of the fund assets in the Island



Note: Others include BBVA, Oriental, San Juan Asset and Universal.

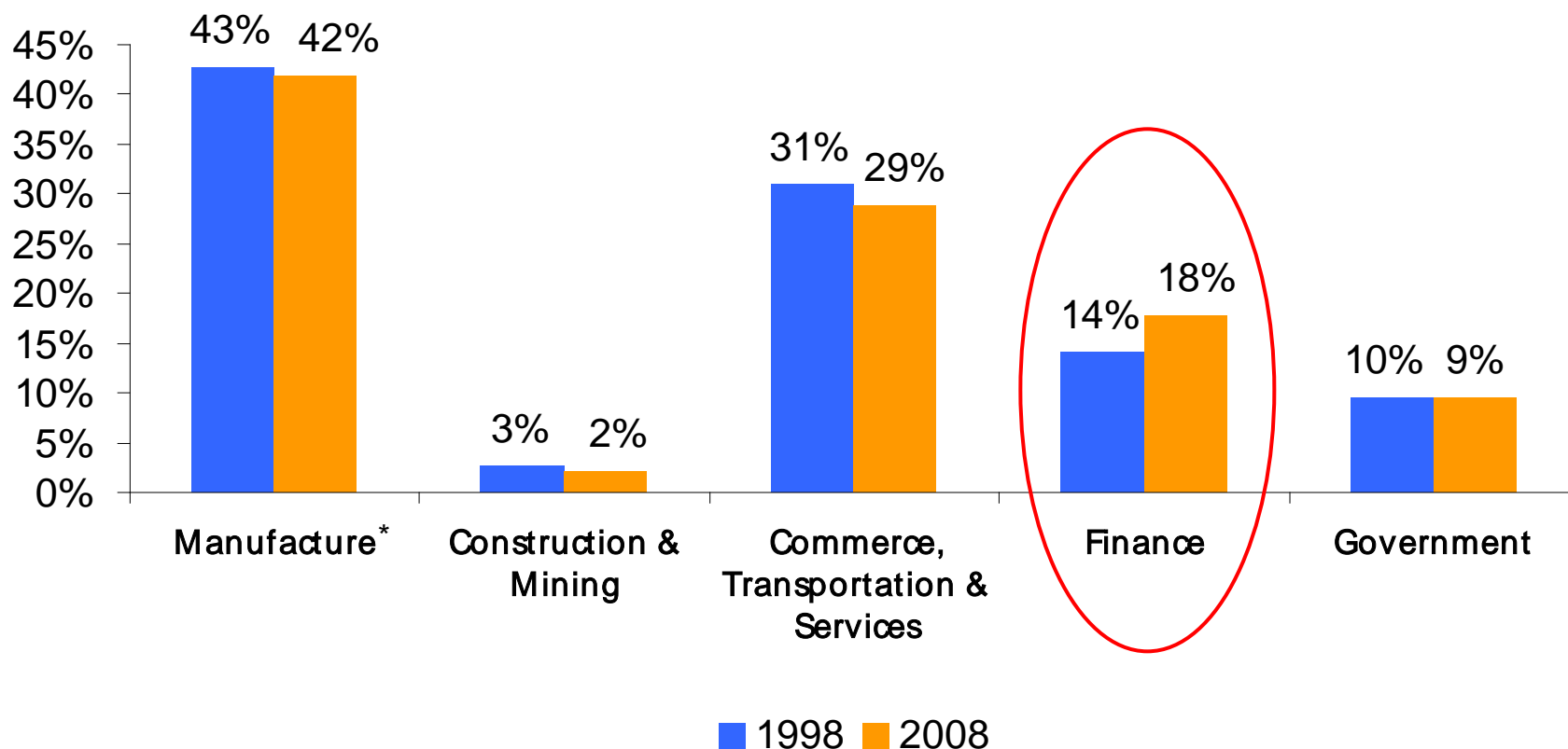
Source: Office of the Commissioner of Financial Institutions of Puerto Rico as of 12/31/09



Importance of the Local Financial Sector

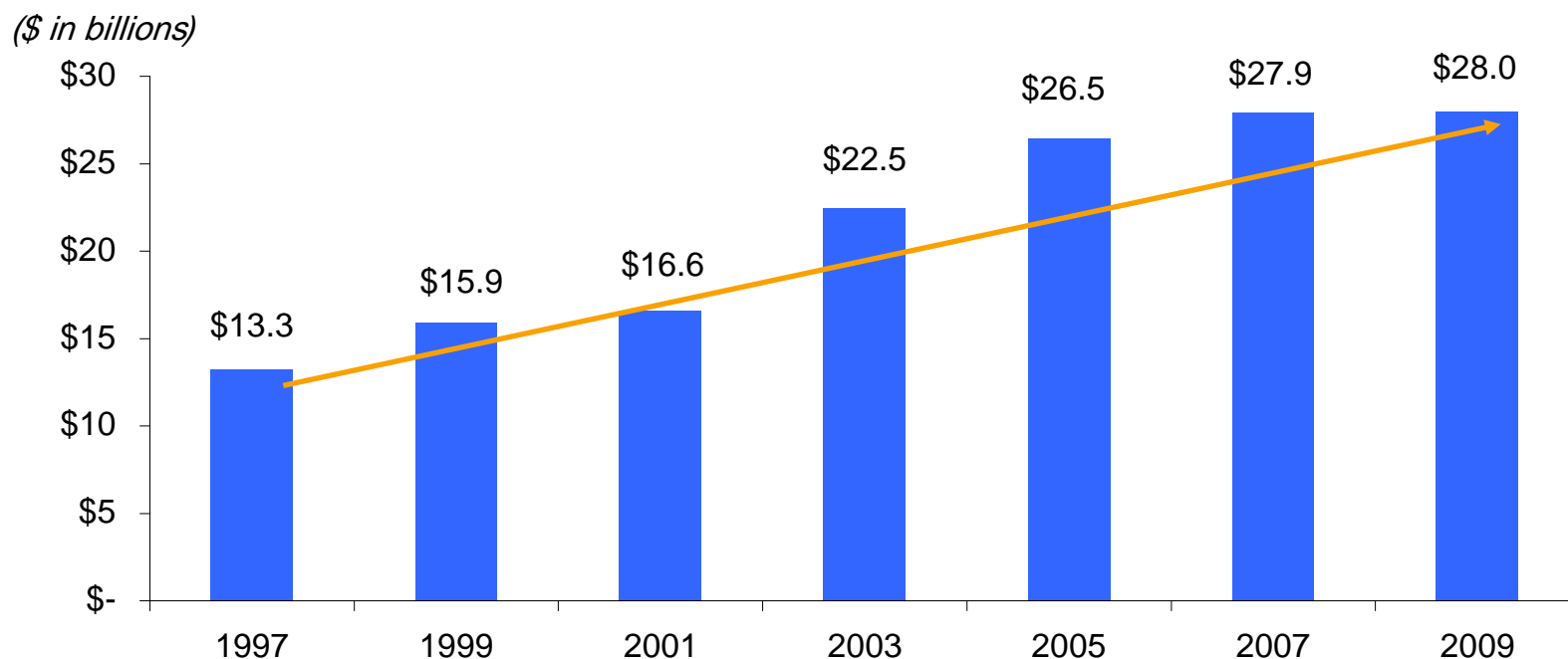
Puerto Rico's Financial Sector

The participation of the financial sector in the GDP of the economy increased from 14.0% in 1998 to 17.7% in 2008, a contribution of \$16.4 billion in 2008



Puerto Rico's Financial Sector

Assets under Management by brokerage firms have more than doubled from \$13.3 billion in 1997 to \$28.0 billion in 2009, a compounded annual growth rate of over 6.4%



Local Capital Market Depth: Private Issuers

The local capital market has the ability to provide significant funding to private sector entities



AEELA

Senior Notes Offering

\$55,520,000

August 2005

UNIVERSAL

™

Universal

7.15% Pfd. Stock Class B

\$115,000,000

December 2005



Triple-S

Senior Notes Offering

\$95,000,000

January 2006



Popular North America

EDB Notes – Private Placement

\$275,000,000

December 2007



Triple-S

Initial Public Offering

\$203,000,000

December 2007



Popular Inc.

8.25% Pfd. Stock Series B

\$400,000,000

May 2008

doral

Doral Financial.

Exchange Offer to Common

Stock **\$105,600,000**

May 2009



Popular Inc.

Exchange Offer to Common

Stock **\$934,000,000**

August 2009

doral

Doral Financial.

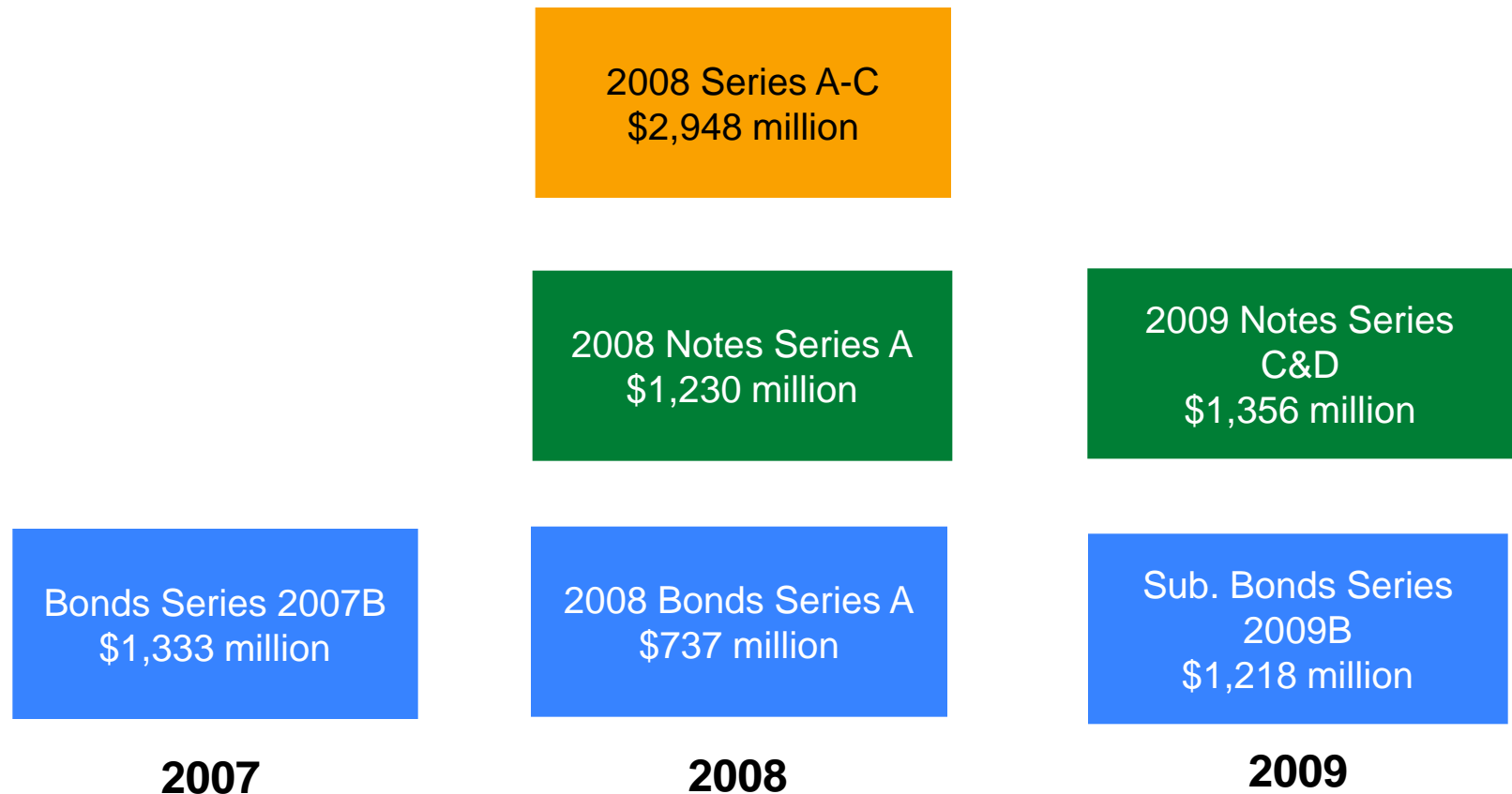
Exchange Offer to Common

Stock **\$52,200,000**

October 2009

Local Capital Market Depth: Public Issuers

The local capital market has the ability to provide significant funding size to issuers



■ PR Sales Tax Financing Corp. (COFINA)

■ Employees Retirement System (POBs)

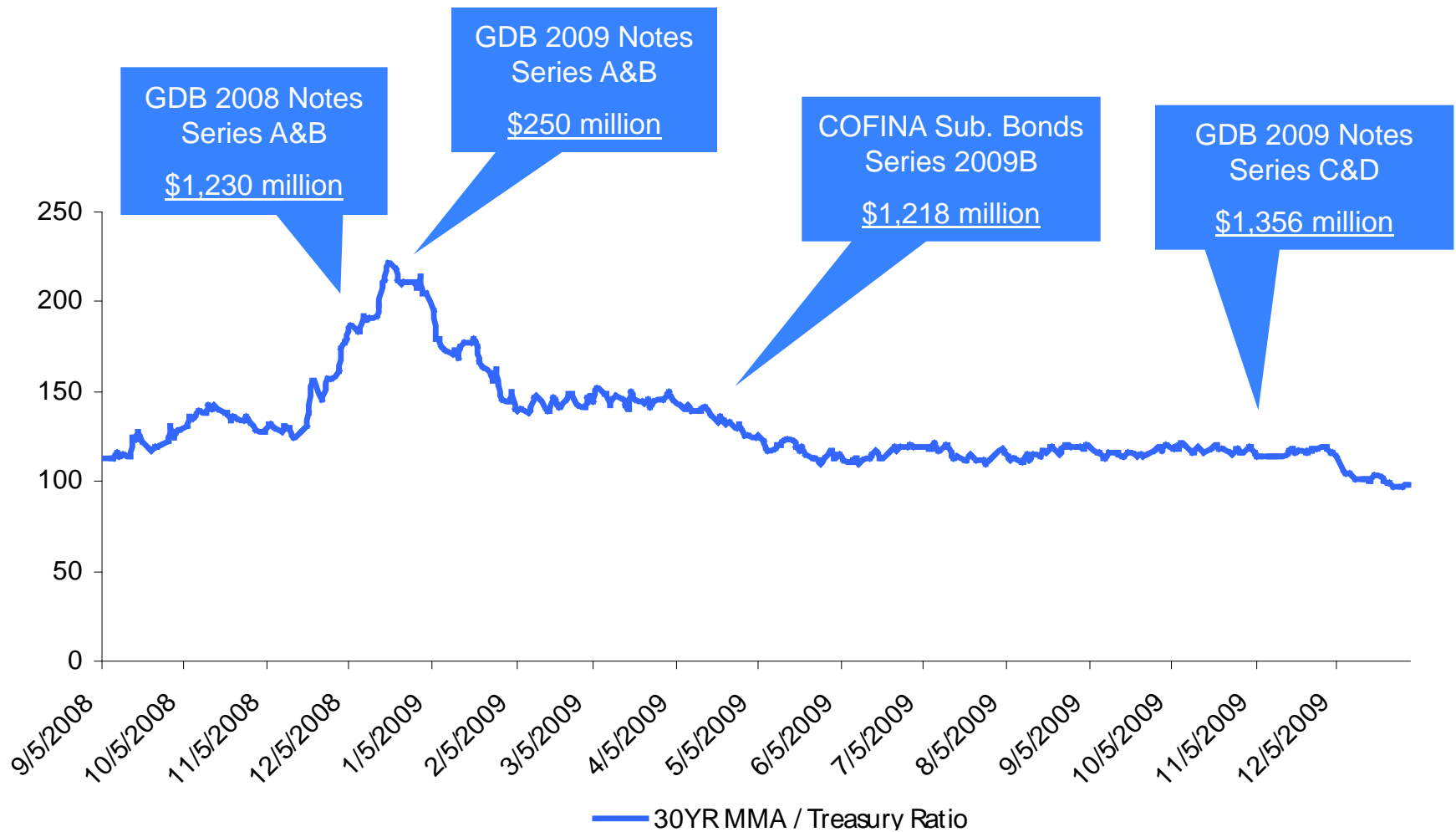
■ Government Development Bank for PR (GDB)



Source: Official Statements.

Local Capital Market Liquidity

Puerto Rico's capital market provided the Government the needed funding and liquidity even at the peak of the financial market crisis



Puerto Rico Funds Stimulate the Economy

Dividends of Local Funds vs. Publicly Held Banks

Dividend Distribution

(\$ in millions)

December 2005

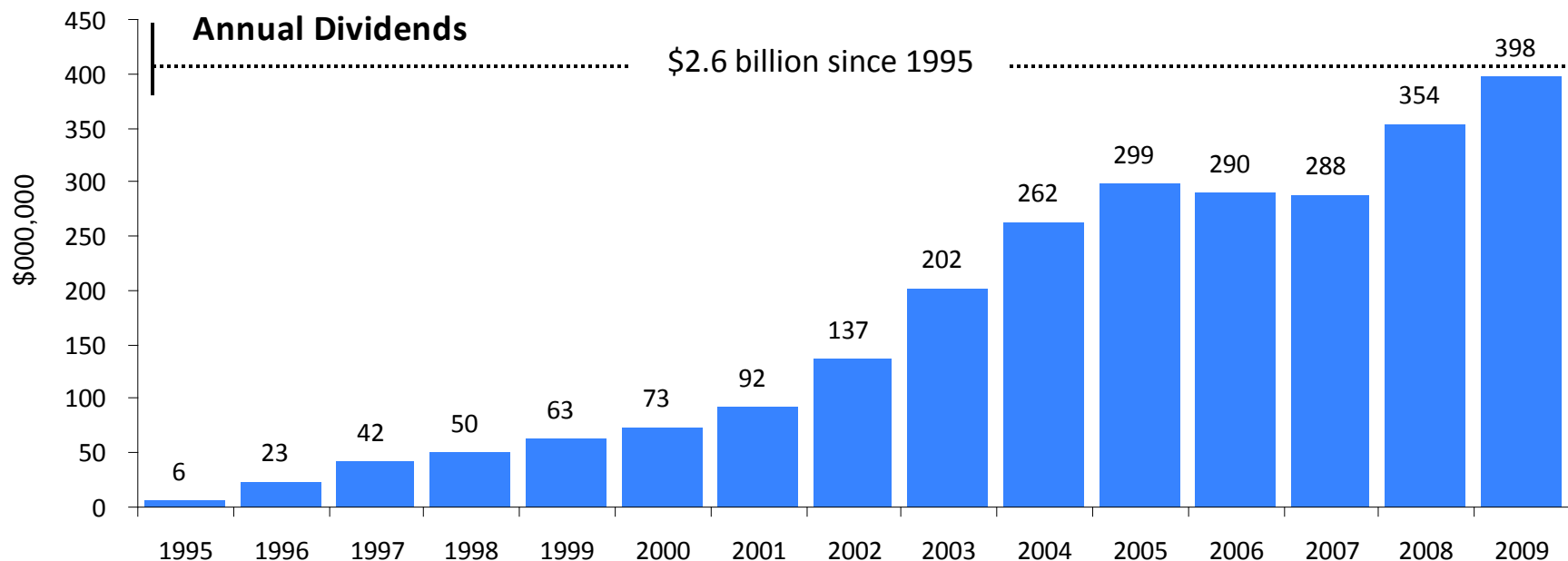
	<u>Dividends</u>	<u>% of Total</u>
Financial Institutions	\$ 1,295	76.0%
Local Funds	408	24.0%
Total	\$ 1,703	100.0%

December 2009

	<u>Dividends</u>	<u>% of Total</u>
Financial Institutions	\$ 37	6.6%
Local Funds	528	93.4%
	\$ 565	100.0%

Puerto Rico Funds Stimulate the Economy

Annual dividends distributed by the UBS Family of Funds comprise 70% of the total dividends in the local financial services industry in 2009





The Future of the Financial Services Industry in Puerto Rico

Future of the Local Financial Services Industry

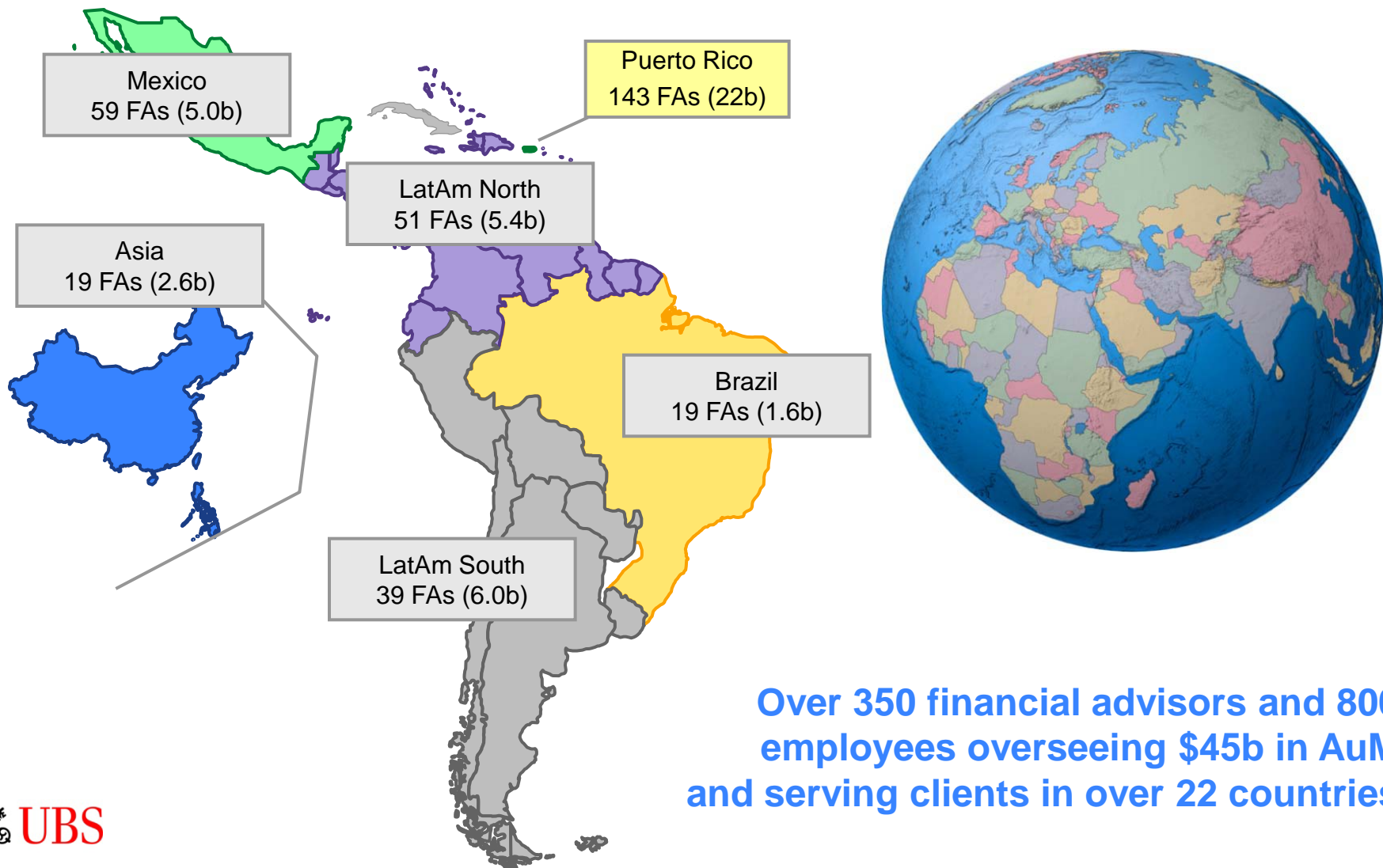
The Puerto Rico financial sector has developed a robust local capital market that has been critical to the local economy

- ◆ Attractive pricing for issuers and investors
- ◆ Depth to finance local needs – public and private issuers
- ◆ Sector with large impact to the economy
- ◆ Continued sponsorship and recognition by GDB

A stable tax, legislative and regulatory framework are necessary for continued development of the local market

The Local Financial Sector Has the Ability to Continue Growing by Exporting its Services Outside of Puerto Rico

UBS International and Puerto Rico's new mandate...



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