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Condo-conversion loans

4,467 4,467

Loans for commercial projects

40,851 77,279 118,130

Bridge loans - residential

42,829 42,829

Bridge loans - commercial

15,700 12,697 28,397

Land loans - residential

44,873 13,289 7,109 65,271

Land loans - commercial

34,649 2,126 36,775

Working capital

1,497 1,041 2,538

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Total before net deferred fees and allowance for loan losses

253,623 122,504 23,814 399,941

Net deferred fees

(658) (224) (3) (885)

Total construction loan portfolio, gross

252,965 122,280 23,811 399,056

Allowance for loan losses

(43,374) (29,160) (11,176) (83,710)

Total construction loan portfolio, net

\$209,591 \$93,120 \$12,635 \$315,346

(1) For purposes of the above table, high-rise portfolio is composed of buildings with more than 7 stories, composed of one project in Puerto Rico.

(2) Mid-rise relates to buildings of up to 7 stories.

The following table presents further information on the Corporation's construction portfolio as of and for the quarter ended March 31, 2012:

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(Dollars in thousands)

Total undisbursed funds under existing commitments	\$	127,529
Construction loans held for investment in non-accrual status	\$	231,071
Net charge offs - Construction loans ⁽¹⁾	\$	15,392
Allowance for loan losses - Construction loans	\$	83,710
Non-performing construction loans to total construction loans		57.90%
Allowance for loan losses - construction loans to total construction loans		20.98%
Net charge-offs (annualized) to total average construction loans		14.23%

- (1) Includes charge-offs of \$10.4 million related to construction loans in Puerto Rico, \$7.0 million related to construction loans in the Virgin Islands and a \$2.0 million recovery related to construction loans in Florida.

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The following summarizes the construction loans for residential housing projects in Puerto Rico segregated by the estimated selling price of the units:

(In thousands)	
Under \$300k	\$ 37,921
\$300k - \$600k	10,472
Over \$600k ⁽¹⁾	25,780
	\$ 74,173

(1) Mainly composed of one single-family detached projects that account for approximately 72% of the residential *Consumer Loans and Finance Leases*

As of March 31, 2012, the Corporation's consumer loan and finance leases portfolio decreased by \$9.0 million, as compared to the portfolio balance as of December 31, 2011. This is mainly the result of repayments and charge-offs that on a combined basis more than offset the volume of loan originations during the first quarter of 2012. Nevertheless, the Corporation experienced a decrease in net charge-offs for consumer loans and finance leases that amounted to \$8.8 million for the first quarter of 2012, as compared to \$10.3 million for the same period a year ago.

Investment Activities

As part of its strategy to diversify its revenue sources and maximize its net interest income, First BanCorp maintains an investment portfolio that is classified as available-for-sale. The Corporation's total investment securities portfolio as of March 31, 2012 aggregated \$1.9 billion, a reduction of \$79.8 million from December 31, 2011 mainly due to \$100 million in PR government obligations called prior to their contractual maturity, a \$100 million U.S. Treasury note that matured and MBS prepayments, partially offset by purchases of \$124 million of U.S. Agency MBS.

Over 87% of the Corporation's available-for-sale securities portfolio is invested in U.S. Government and Agency debentures and fixed-rate U.S. government sponsored-agency MBS (mainly GNMA, FNMA and FHLMC fixed-rate securities). The Corporation's investment in equity securities classified as available for sale is minimal, approximately \$0.1 million, which consists of common stock of another financial institution in Puerto Rico.

The following table presents the carrying value of investments at the indicated dates:

(In thousands)	As of March 31, 2012	As of December 31, 2011
	(In thousands)	
Money market investments	\$ 238,140	\$ 239,669
Investment securities available-for-sale, at fair value:		
U.S. Government and agencies obligations	675,616	778,577
Puerto Rico Government obligations	162,179	222,613
Mortgage-backed securities	1,004,840	921,024
Corporate bonds	783	1,013
Equity securities	66	41
	1,843,484	1,923,268

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Other equity securities, including \$36.7 million of FHLB stock as of March 31, 2012 and December 31, 2011	37,951	37,951
Total investments	\$ 2,119,575	\$ 2,200,888

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Mortgage-backed securities at the indicated dates consist of:

<i>(In thousands)</i>	As of March 31, 2012	As of December 31, 2011
Available-for-sale:		
FHLMC certificates	101,255	26,148
GNMA certificates	728,907	762,006
FNMA certificates	115,049	71,664
Other mortgage pass-through certificates	59,629	61,206
 Total mortgage-backed securities	 \$ 1,004,840	 \$ 921,024

The carrying values of investment securities classified as available-for-sale as of March 31, 2012 by contractual maturity (excluding mortgage-backed securities and equity securities) are shown below:

<i>(Dollars in thousands)</i>	Carrying Amount	Weighted Average Yield %
U.S. Government and agencies obligations:		
Due within one year	\$ 675,616	0.60
 Puerto Rico Government obligations:		
Due within one year	8,617	4.20
Due after one year through five years	9,765	5.41
Due after five years through ten years	119,567	4.94
Due after ten years	24,230	5.77
	162,179	5.05
 Corporate bonds:		
Due after ten years	783	5.80
 Total	 838,578	 1.46
Mortgage-backed securities	1,004,840	3.69
Equity securities	66	
 Total investment securities available for sale	 \$ 1,843,484	 2.66

Net interest income of future periods will be affected by the Corporation's decision to deleverage its investment securities portfolio to preserve its capital position and from balance sheet repositioning strategies. Also, net interest income could be affected by prepayments of mortgage-backed securities. Acceleration in the prepayments of mortgage-backed securities would lower yields on these securities, as the amortization of premiums paid upon acquisition of these securities would accelerate. Conversely, acceleration in the prepayments of mortgage-backed securities would increase yields on securities purchased at a discount, as the amortization of the discount would accelerate. These risks are directly linked to future period market interest rate fluctuations. Also, net interest income in future periods might be affected by the Corporation's investment in callable securities. Approximately \$100.7 million of P.R. Government obligations with an average yield of 3.26% were called during the first quarter of 2012. As of March 31, 2012, the Corporation has approximately \$83.4 million in debt securities (Puerto Rico government securities) with embedded calls and with an average yield of 5.16%. Refer to the Risk Management section below for further analysis of the effects of changing interest rates on the Corporation's net interest income and of the interest rate risk management strategies followed by the Corporation.

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Also refer to Note 4 to the accompanying unaudited consolidated financial statements for additional information regarding the Corporation's investment portfolio.

RISK MANAGEMENT

Risks are inherent in virtually all aspects of the Corporation's business activities and operations. Consequently, effective risk management is fundamental to the success of the Corporation. The primary goals of risk management are to ensure that the Corporation's risk taking activities are consistent with the Corporation's objectives and risk tolerance and that there is an appropriate balance between risk and reward in order to maximize stockholder value.

The Corporation has in place a risk management framework to monitor, evaluate and manage the principal risks assumed in conducting its activities. First BanCorp's business is subject to eight broad categories of risks: (1) liquidity risk, (2) interest rate risk,

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(3) market risk, (4) credit risk, (5) operational risk, (6) legal and compliance risk, (7) reputational risk, and (8) contingency risk. First BanCorp has adopted policies and procedures designed to identify and manage risks to which the Corporation is exposed, specifically those relating to liquidity risk, interest rate risk, credit risk, and operational risk.

The Corporation's risk management policies are described below as well as in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of First BanCorp's 2011 Annual Report on Form 10-K.

Liquidity and Capital Adequacy

Liquidity is the ongoing ability to accommodate liability maturities and deposit withdrawals, fund asset growth and business operations, and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet the needs for liquidity and accommodate fluctuations in asset and liability levels due to changes in the Corporation's business operations or unanticipated events.

The Corporation manages liquidity at two levels. The first is the liquidity of the parent company, which is the holding company that owns the banking and non-banking subsidiaries. The second is the liquidity of the banking subsidiary. As of March 31, 2012, FirstBank could not pay any dividend to the parent company except upon receipt of prior approval by the FED.

The Asset and Liability Committee of the Board of Directors is responsible for establishing the Corporation's liquidity policy as well as approving operating and contingency procedures, and monitoring liquidity on an ongoing basis. The MIALCO, using measures of liquidity developed by management, which involve the use of several assumptions, reviews the Corporation's liquidity position on a monthly basis. The MIALCO oversees liquidity management, interest rate risk and other related matters. The MIALCO, which reports to the Board of Directors Asset and Liability Committee, is composed of senior management officers, including the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Retail Financial Services Director, the Risk Manager of the Treasury and Investments Division, the Financial Analysis and Asset/Liability Director and the Treasurer. The Treasury and Investments Division is responsible for planning and executing the Corporation's funding activities and strategy; monitoring liquidity availability on a daily basis and reviewing liquidity measures on a weekly basis. The Treasury and Investments Accounting and Operations area of the Comptroller's Department is responsible for calculating the liquidity measurements used by the Treasury and Investment Division to review the Corporation's liquidity position on a monthly basis, the Financial Analysis and Asset/Liability Director estimates the liquidity gap for longer periods.

In order to ensure adequate liquidity through the full range of potential operating environments and market conditions, the Corporation conducts its liquidity management and business activities in a manner that will preserve and enhance funding stability, flexibility and diversity. Key components of this operating strategy include a strong focus on the continued development of customer-based funding, the maintenance of direct relationships with wholesale market funding providers, and the maintenance of the ability to liquidate certain assets when, and if, requirements warrant.

The Corporation develops and maintains contingency funding plans. These plans evaluate the Corporation's liquidity position under various operating circumstances and allow the Corporation to ensure that it will be able to operate through periods of stress when access to normal sources of funds is constrained. The plans project funding requirements during a potential period of stress, specify and quantify sources of liquidity, outline actions and procedures for effectively managing through a difficult period, and define roles and responsibilities. In the Contingency Funding Plan, the Corporation stresses the balance sheet and the liquidity position to critical levels that imply difficulties in getting new funds or even maintaining its current funding position, thereby ensuring the ability to honor its commitments, and establishing liquidity triggers monitored by the MIALCO in order to maintain the ordinary funding of the banking business. Three different scenarios are defined in the Contingency Funding Plan: local market event, credit rating downgrade, and a concentration event. They are reviewed and approved annually by the Board of Directors' Asset and Liability Committee.

The Corporation manages its liquidity in a proactive manner, and maintains a sound liquidity position. Multiple measures are utilized to monitor the Corporation's liquidity position, including basic liquidity and time-based reserve measures. The Corporation has maintained basic liquidity (cash, free liquid assets and secured lines of credit) in excess of the self-imposed minimum limit of 5% of total assets. As of March 31, 2012, the estimated basic liquidity ratio was approximately 10.0%, including un-pledged investment securities, FHLB lines of credit, and cash. At period end, the Corporation had \$539 million available for additional credit on FHLB lines of credit. Unpledged liquid securities as of March 31, 2012 mainly consisted of fixed-rate MBS and U.S. agency debentures amounting to approximately \$69 million. The Corporation does not rely on uncommitted inter-bank lines of credit (federal funds lines) to fund its operations and does not include them in the basic liquidity computation. Most of the cash balances are deposited with the Federal Reserve Bank and in money market instruments generating interest income between 0.25% and 0.35%. As of March 31, 2012, the holding company had \$44.6 million of cash and cash equivalents. Cash and cash equivalents at the Bank level as of March 31, 2012 were approximately \$611.3 million. The Bank has \$100 million and \$275 million in repurchase agreements and FHLB advances, respectively, maturing over the next twelve months. In addition, it had \$3.6 billion in brokered CDs as of March 31, 2012, of

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which \$2.5 billion mature over the next twelve months. Liquidity at the Bank level is highly dependent on bank deposits, which fund 76.2% of the Bank's assets (or 48.4% excluding brokered CDs). The Corporation has continued to issue brokered CDs pursuant to approvals received from the FDIC to renew or roll over brokered CDs up to certain amounts through June 30, 2012. Management cannot be certain it will continue to obtain waivers from the restrictions to issue brokered CDs under the Order to meet its obligations and execute its business plans.

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Sources of Funding

The Corporation utilizes different sources of funding to help ensure that adequate levels of liquidity are available when needed. Diversification of funding sources is of great importance to protect the Corporation's liquidity from market disruptions. The principal sources of short-term funds are deposits, including brokered CDs, securities sold under agreements to repurchase, and lines of credit with the FHLB. The Asset Liability Committee of the Board of Directors reviews credit availability on a regular basis. The Corporation has also securitized and sold mortgage loans as a supplementary source of funding. Issuances of commercial paper have also in the past provided additional funding. Long-term funding has also been obtained through the issuance of notes and, to a lesser extent, long-term brokered CDs. The cost of these different alternatives, among other things, is taken into consideration.

The Corporation has deleveraged its balance sheet by reducing the amounts of brokered CDs. The reductions in brokered CDs are consistent with the requirements of the Order that preclude the issuance of brokered CDs without FDIC approval and require a plan to reduce the amount of brokered CDs. Brokered CDs decreased \$109.1 million to \$3.6 billion as of March 31, 2012 from \$3.7 billion as of December 31, 2011. At the same time, as the Corporation focuses on reducing its reliance on brokered deposits, it is seeking to add core deposits.

The Corporation continues to have the support of creditors, including repurchase agreements counterparties, the FHLB, and other agents such as wholesale funding brokers. While liquidity is an ongoing challenge for all financial institutions, management believes that the Corporation's available borrowing capacity and efforts to grow retail deposits and the recently completed \$525 million capital raise will be adequate to provide the necessary funding for the Corporation's business plans in the foreseeable future.

The Corporation's principal sources of funding are:

Brokered CDs A large portion of the Corporation's funding has been retail brokered CDs issued by FirstBank. Total brokered CDs decreased from \$3.7 billion at December 31, 2011 to \$3.6 billion as of March 31, 2012. Although all the regulatory capital ratios exceeded the established well capitalized levels at March 31, 2012 and the minimum capital requirements of the FDIC Order, because of the Order with the FDIC, FirstBank cannot be considered a well capitalized institution under regulatory guidance and cannot replace maturing brokered CDs without the prior approval of the FDIC. Since the issuance of the Order, the FDIC has granted the Bank temporary waivers to enable it to continue accessing the brokered deposit market through June 30, 2012. The Bank will request approvals for future periods. The Corporation used proceeds from repayments of loans and investments to pay down maturing borrowings, including brokered CDs. Also, the Corporation successfully implemented its core deposit growth strategy that resulted in an increase of \$119.6 million in core deposits during the first quarter of 2012. Core deposits exclude brokered deposits and public funds.

The average remaining term to maturity of the retail brokered CDs outstanding as of March 31, 2012 is approximately 0.85 years. Approximately 0.5% of the principal value of these certificates is callable at the Corporation's option.

The use of brokered CDs has been particularly important for the growth of the Corporation. The Corporation encounters intense competition in attracting and retaining regular retail deposits in Puerto Rico. The brokered CDs market is very competitive and liquid, and the Corporation has been able to obtain substantial amounts of funding in short periods of time. This strategy has enhanced the Corporation's liquidity position, since the brokered CDs are insured by the FDIC up to regulatory limits and can be obtained faster compared to regular retail deposits. Should the FDIC fail to approve waivers for the renewal of brokered CDs, the Corporation would accelerate the deleveraging through a systematic disposition of assets to meet its liquidity needs. During the first quarter of 2012, the Corporation issued \$581.7 million in brokered CDs with an average cost of 0.72% to renew maturing brokered CDs. Management believes it will continue to obtain waivers from the restrictions in the issuance of brokered CDs under the Order to meet its obligations and execute its business plans.

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The following table presents a maturity summary of brokered and retail CDs with denominations of \$100,000 or higher as of March 31, 2012:

	Total (In thousands)
Three months or less	\$ 828,182
Over three months to six months	843,599
Over six months to one year	1,637,759
Over one year	1,618,063
Total	\$ 4,927,603

Certificates of deposit in denominations of \$100,000 or higher include brokered CDs of \$3.6 billion issued to deposit brokers in the form of large (\$100,000 or more) certificates of deposit that are generally participated out by brokers in shares of less than \$100,000 and are therefore insured by the FDIC. Certificates of deposit with denominations of \$100,000 or higher also include \$7.1 million of deposits through the Certificate of Deposit Account Registry Service (CDARS).

Retail deposits The Corporation's deposit products also include regular savings accounts, demand deposit accounts, money market accounts and retail CDs. Total deposits, excluding brokered CDs, increased by \$109.6 million to \$6.3 billion from the balance of \$6.2 billion as of December 31, 2011, reflecting increases in core-deposit products such as savings and interest-bearing checking accounts spread through the Corporation's geographic segments. Refer to Note 12 in the accompanying unaudited financial statements for further details.

Refer to the Net Interest Income discussion above for information about average balances of interest-bearing deposits, and the average interest rate paid on deposits for the quarters ended March 31, 2012 and 2011.

Securities sold under agreements to repurchase The Corporation's investment portfolio is funded in part with repurchase agreements. Securities sold under repurchase agreements were \$1.0 billion as of March 31, 2012 and December 31, 2011. During 2012, the Corporation restructured \$200 million of repurchase agreements through amendments that include three to four year maturity extensions and are expected to result in additional reductions in the average cost of funding. This transaction contributed to improvements in the net interest margin. One of the Corporation's strategies has been the use of structured repurchase agreements and long-term repurchase agreements to reduce exposure to interest rate risk by lengthening the final maturities of its liabilities while keeping funding costs at reasonable levels. All of the \$1.0 billion of repurchase agreements outstanding as of March 31, 2012 consist of structured repurchase agreements. In addition to repos, the Corporation has been able to maintain access to credit by using cost-effective sources such as FHLB advances. Refer to Note 13 in the Corporation's unaudited financial statements for the period ended March 31, 2012 for further details about repurchase agreements outstanding by counterparty and maturities.

Under the Corporation's repurchase agreements, as is the case with derivative contracts, the Corporation is required to pledge cash or qualifying securities to meet margin requirements. To the extent that the value of securities previously pledged as collateral declines due to changes in interest rates, a liquidity crisis or any other factor, the Corporation will be required to deposit additional cash or securities to meet its margin requirements, thereby adversely affecting its liquidity. Given the quality of the collateral pledged, recently the Corporation has not experienced significant margin calls from counterparties arising from credit-quality-related write-downs in valuations and, as of March 31, 2012, it had only \$0.5 million of cash equivalent instruments deposited in connection with collateralized interest rate swap agreements.

Advances from the FHLB The Corporation's Bank subsidiary is a member of the FHLB system and obtains advances to fund its operations under a collateral agreement with the FHLB that requires the Bank to maintain qualifying mortgages as collateral for advances taken. As of March 31, 2012 and December 31, 2011, the outstanding balance of FHLB advances was \$353.4 million and \$367.4 million, respectively. Approximately \$78.4 million of outstanding advances from the FHLB have maturities of over one year. At March 31, 2012, the Corporation had \$539 million available for additional credit on FHLB lines of credit.

Though currently not in use, other sources of short-term funding for the Corporation include commercial paper and federal funds purchased. Furthermore, in previous years the Corporation entered into several financing transactions to diversify its funding sources, including the issuance of notes payable and Junior subordinated debentures as part of its longer-term liquidity and capital management activities. No assurance can be given that these sources of liquidity will be available and, if available, will be on comparable terms.

In 2004, FBP Statutory Trust I, a statutory trust that is wholly owned by the Corporation and not consolidated in the Corporation's financial statements, sold to institutional investors \$100 million of its variable rate trust preferred securities. The proceeds of the issuance, together with

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the proceeds of the purchase by the Corporation of \$3.1 million of FBP Statutory Trust I variable rate common securities, were used by FBP Statutory Trust I to purchase \$103.1 million aggregate principal amount of the Corporation's Junior Subordinated Deferrable Debentures.

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Also in 2004, FBP Statutory Trust II, a statutory trust that is wholly-owned by the Corporation and not consolidated in the Corporation's financial statements, sold to institutional investors \$125 million of its variable rate trust preferred securities. The proceeds of the issuance, together with the proceeds of the purchase by the Corporation of \$3.9 million of FBP Statutory Trust II variable rate common securities, were used by FBP Statutory Trust II to purchase \$128.9 million aggregate principal amount of the Corporation's Junior Subordinated Deferrable Debentures.

The trust preferred debentures are presented in the Corporation's consolidated statement of financial condition as Other Borrowings, net of related issuance costs. The variable rate trust preferred securities are fully and unconditionally guaranteed by the Corporation. The \$100 million Junior Subordinated Deferrable Debentures issued by the Corporation in April 2004 and the \$125 million issued in September 2004 mature on September 17, 2034 and September 20, 2034, respectively; however, under certain circumstances, the maturity of Junior Subordinated Debentures may be shortened (such shortening would result in a mandatory redemption of the variable rate trust preferred securities). The trust preferred securities, subject to certain limitations, qualify as Tier I regulatory capital under current Federal Reserve rules and regulations. Section 171 of the Dodd-Frank Act (the Collins Amendment) excludes Trust Preferred Securities from Tier 1 Capital and has a provision to effectively phase-out the use of trust preferred securities issued before May 19, 2010 as Tier 1 Capital over a 3-year period commencing on January 1, 2013. At March 31, 2012, the Corporation had \$225 million in trust preferred securities that are subject to the phase-out.

With respect to the outstanding subordinated debentures, the Corporation had elected to defer the interest payments that were due in March 2012. Future interest payments are subject to Federal Reserve approval.

The Corporation's principal uses of funds are the origination of loans and the repayment of maturing deposits and borrowings. The Corporation has committed substantial resources to its mortgage banking subsidiary, FirstMortgage Inc. As a result, the ratio of residential real estate loans as a percentage of total loans has increased over time from 14% at December 31, 2004 to 27% at March 31, 2012. Commensurate with the increase in its mortgage banking activities, the Corporation has also invested in technology and personnel to enhance the Corporation's secondary mortgage market capabilities. The enhanced capabilities improve the Corporation's liquidity profile as they allow the Corporation to derive liquidity, if needed, from the sale of mortgage loans in the secondary market. The U.S. (including Puerto Rico) secondary mortgage market is still highly liquid in large part because of the sale or guarantee programs of the FHA, VA, HUD, FNMA and FHLMC. The Corporation obtained Commitment Authority to issue GNMA mortgage-backed securities from GNMA and, under this program, the Corporation completed the securitization of approximately \$54.3 million of FHA/VA mortgage loans into GNMA MBS during the first quarter of 2012. Any regulatory actions affecting GNMA, FNMA or FHLMC could adversely affect the secondary mortgage market.

Impact of Credit Ratings on Access to Liquidity and Valuation of Liabilities

The Corporation's liquidity is contingent upon its ability to obtain external sources of funding to finance its operations. The Corporation's current credit ratings and any further downgrades in credit ratings can hinder the Corporation's access to external funding and/or cause external funding to be more expensive, which could in turn adversely affect results of operations. Also, changes in credit ratings may further affect the fair value of certain liabilities and unsecured derivatives that consider the Corporation's own credit risk as part of the valuation.

The Corporation does not have any outstanding debt or derivative agreements that would be affected by credit downgrades. Furthermore, given our non-reliance on corporate debt or other instruments directly linked in terms of pricing or volume to credit ratings, the liquidity of the Corporation so far has not been affected in any material way by downgrades in the past. The Corporation's ability to access new non-deposit sources of funding, however, could be adversely affected by credit downgrades.

Upon completion of the capital raise, the Corporation's and the Bank's credit ratings were upgraded by Moody's Investor Service (Moody's), Standard & Poor's (S&P), and by Fitch Ratings Limited (Fitch). The Corporation's credit as a long-term issuer is currently rated B+ by S&P and B- by Fitch. At the FirstBank subsidiary level, long-term issuer ratings are currently B3 by Moody's, six notches below their definition of investment grade; B+ by S&P four notches below their definition of investment grade, and B- by Fitch, six notches below their definition of investment grade.

Cash Flows

Cash and cash equivalents were \$618.2 million and \$873.3 million at March 31, 2012 and 2011, respectively. These balances increased by \$171.6 million and \$503.0 million from December 31, 2011 and 2010, respectively. The following discussion highlights the major activities and transactions that affected the Corporation's cash flows during the first quarter of 2012 and 2011.

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Cash Flows from Operating Activities

First BanCorp's operating assets and liabilities vary significantly in the normal course of business due to the amount and timing of cash flows. Management believes cash flows from operations, available cash balances and the Corporation's ability to generate cash through short- and long-term borrowings will be sufficient to fund the Corporation's operating liquidity needs.

For the first quarter of 2012 and 2011, net cash provided by operating activities was \$86.4 million and \$43.6 million, respectively. Net cash generated from operating activities was higher than net loss reported largely as a result of adjustments for operating items such as the provision for loan and lease losses and due to sales of loans held for sale.

Cash Flows from Investing Activities

The Corporation's investing activities primarily relate to originating loans to be held to maturity and purchasing, selling and repayments of available-for-sale and held-to-maturity investment securities. For the quarter ended March 31, 2012, net cash provided by investing activities was \$107.5 million, primarily reflecting proceeds from loans (including sales and paydowns), as well as proceeds from securities called during the first quarter of 2012 and MBS prepayments. Proceeds from sales of loans and from repayments of loans and MBS were used in part to pay down maturing brokered CDs and other funding sources.

For the first quarter of 2011, net cash provided by investing activities was \$920.8 million, primarily reflecting proceeds from loans, as well as proceeds from securities sold or called during the first quarter of 2011 and MBS prepayments.

Cash Flows from Financing Activities

The Corporation's financing activities primarily include the receipt of deposits and issuance of brokered CDs, the issuance and payments of long-term debt, the issuance of equity instruments and activities related to its short-term funding. In addition, the Corporation paid monthly dividends on its preferred stock and quarterly dividends on its common stock until it announced the suspension of dividends beginning in August 2009. During the first quarter of 2012, net cash used in financing activities was \$22.2 million due to repayments of maturing FHLB advances, notes payable and brokered CDs.

In the first quarter of 2011, net cash used in financing activities was \$461.5 million due to paydowns of maturing brokered CDs coupled with paydowns of FHLB Advances.

Capital

The Corporation's stockholders' equity amounted to \$1.4 billion as of March 31, 2012, a decrease of \$11.1 million compared to the balance as of December 31, 2011, driven by the net loss of \$13.2 million for the first quarter. Partially offsetting the net loss was an increase of \$1.0 million in other comprehensive income due to higher unrealized gains on available for sale securities and net proceeds of \$1.0 million related to 165,000 shares of common stock sold to a director and 115,787 shares of common stock sold to institutional investors that exercised their anti-dilution rights. Based on the Agreement with the FED, currently neither First BanCorp, nor FirstBank, is permitted to pay dividends on capital securities without prior approval.

Effective June 2, 2010, FirstBank, by and through its Board of Directors, entered into the Order with the FDIC (see *Description of Business*). Although all the regulatory capital ratios exceeded the established *well capitalized* levels and the minimum capital requirements established by the Order, because of the Order with the FDIC, FirstBank cannot be treated as a *well capitalized* institution under regulatory guidance. Set forth below are First BanCorp's, and FirstBank Puerto Rico's regulatory capital ratios as of March 31, 2012 and December 31, 2011, based on existing established FED and FDIC guidelines.

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	Banking Subsidiary			
	First BanCorp	FirstBank	To be well capitalized	Consent Order Requirements over time
As of March 31, 2012				
Total capital (Total capital to risk-weighted assets)	17.36%	16.83%	10.00%	12.00%
Tier 1 capital ratio (Tier 1 capital to risk-weighted assets)	16.04%	15.50%	6.00%	10.00%
Leverage ratio	12.31%	11.91%	5.00%	8.00%
As of December 31, 2011				
Total capital (Total capital to risk-weighted assets)	17.12%	16.58%	10.00%	12.00%
Tier 1 capital ratio (Tier 1 capital to risk-weighted assets)	15.79%	15.25%	6.00%	10.00%
Leverage ratio	11.91%	11.52%	5.00%	8.00%

The improvement in capital ratios was driven by a reduction in risk-weighted assets mainly associated with the reduction in commercial loans that carried a 100% risk weighting for purposes of the capital ratios calculation, and, in the case of the leverage ratio, due to the decrease in average total assets.

On October 7, 2011, the Corporation successfully completed a private placement of \$525 million shares of common stock (the capital raise). The proceeds from the capital raise amounted to approximately \$490 million (net of offering costs), of which \$435 million have been contributed to the Corporation's wholly owned banking subsidiary, FirstBank.

In connection with the closing, the Corporation issued 150 million shares of common stock at \$3.50 per share to institutional investors. The completion of the capital raise allowed the conversion of the 424,174 shares of the Corporation's Series G Preferred Stock, held by the U.S. Treasury, into 32.9 million shares of common stock at a conversion price of \$9.66. This conversion required for completion the payment of \$26.4 million for past due undeclared cumulative dividends on the Series G Preferred Stock as required by the agreement with the U.S. Treasury.

Furthermore, On December 8, 2011, the Corporation completed a rights offering in which the Corporation issued an additional 888,781 shares of common stock at \$3.50 per share, and received proceeds of \$3.3 million.

With the \$525 million capital infusion, the conversion to common stock of the Series G Preferred Stock held by the U.S. Treasury, and the issuance of an additional \$3.3 million of capital in the rights offering (after deducting estimated offering expenses and the \$26.4 million payment of cumulative dividends on the Series G Preferred Stock), the Corporation increased its total common equity by approximately \$834 million.

The tangible common equity ratio and tangible book value per common share are non-GAAP measures generally used by the financial community to evaluate capital adequacy. Tangible common equity is total equity less preferred equity, goodwill and core deposit intangibles. Tangible assets are total assets less goodwill and core deposit intangibles. Management and many stock analysts use the tangible common equity ratio and tangible book value per common share in conjunction with more traditional bank capital ratios to compare the capital adequacy of banking organizations with significant amounts of goodwill or other intangible assets, typically stemming from the use of the purchase accounting method of accounting for mergers and acquisitions. Neither tangible common equity, nor tangible assets, or related measures should be considered in isolation or as a substitute for stockholders' equity, total assets or any other measure calculated in accordance with GAAP. Moreover, the manner in which the Corporation calculates its tangible common equity, tangible assets and any other related measures may differ from that of other companies reporting measures with similar names.

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The following table is a reconciliation of the Corporation's tangible common equity and tangible assets for the periods ended March 31, 2012 and December 31, 2011, respectively:

<i>(In thousands)</i>	March 31, 2012	December 31, 2011
Total equity - GAAP	\$ 1,433,023	\$ 1,444,144
Preferred equity	(63,047)	(63,047)
Goodwill	(28,098)	(28,098)
Core deposit intangible	(11,100)	(11,689)
Tangible common equity	\$ 1,330,778	\$ 1,341,310
Total assets - GAAP	\$ 13,085,623	\$ 13,127,275
Goodwill	(28,098)	(28,098)
Core deposit intangible	(11,100)	(11,689)
Tangible assets	\$ 13,046,425	\$ 13,087,488
Common shares outstanding	206,134	205,134
Tangible common equity ratio	10.20%	10.25%
Tangible book value per common share	\$ 6.46	\$ 6.54

The Tier 1 common equity to risk-weighted assets ratio is calculated by dividing (a) tier 1 capital less non-common elements including qualifying perpetual preferred stock and qualifying trust preferred securities by (b) risk-weighted assets, which assets are calculated in accordance with applicable bank regulatory requirements. The Tier 1 common equity ratio is not required by GAAP or on a recurring basis by applicable bank regulatory requirements. However, this ratio was used by the Federal Reserve in connection with its stress test administered to the 19 largest U.S. bank holding companies under the Supervisory Capital Assessment Program (SCAP), the results of which were announced on May 7, 2009. Management is currently monitoring this ratio, along with the other ratios discussed above, in evaluating the Corporation's capital levels and believes that, at this time, the ratio may be of interest to investors.

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The following table reconciles stockholders' equity (GAAP) to Tier 1 common equity:

<i>(In thousands)</i>	March 31, 2012	December 31, 2011
Total equity - GAAP	\$ 1,433,023	\$ 1,444,144
Qualifying preferred stock	(63,047)	(63,047)
Unrealized gain on available-for-sale securities ⁽¹⁾	(20,233)	(19,234)
Disallowed deferred tax asset ⁽²⁾	(25)	
Goodwill	(28,098)	(28,098)
Core deposit intangible	(11,100)	(11,689)
Cumulative change gain in fair value of liabilities accounted for under a fair value option	(2,434)	(2,009)
Other disallowed assets	(807)	(922)
Tier 1 common equity	\$ 1,307,279	\$ 1,319,145
Total risk-weighted assets	\$ 9,947,559	\$ 10,180,226
Tier 1 common equity to risk-weighted assets ratio	13.14%	12.96%

- 1- Tier 1 capital excludes net unrealized gains (losses) on available-for-sale debt securities and net unrealized gains on available-for-sale equity securities with readily determinable fair values, in accordance with regulatory risk-based capital guidelines. In arriving at Tier 1 capital, institutions are required to deduct net unrealized losses on available-for-sale equity securities with readily determinable fair values, net of tax.
- 2- Approximately \$12 million and \$13 million of the Corporation's net deferred tax assets at March 31, 2012 and December 31, 2011, respectively were included without limitation in regulatory capital pursuant to the risk-based capital guidelines, while approximately \$25k of such assets at March 31, 2012 and \$0 at December 31, 2011 exceeded the limitation imposed by these guidelines and, as disallowed deferred tax assets, were deducted in arriving at Tier 1 capital. According to regulatory capital guidelines, the deferred tax assets that are dependent upon future taxable income are limited for inclusion in Tier 1 capital to the lesser of: (i) the amount of such deferred tax asset that the entity expects to realize within one year of the calendar quarter end-date, based on its projected future taxable income for that year or (ii) 10% of the amount of the entity's Tier 1 capital. Approximately \$7 million of the Corporation's other net deferred tax liability at March 31, 2012 and \$8 million as of December 31, 2011 represented primarily the deferred tax effects of unrealized gains and losses on available-for-sale debt securities, which are permitted to be excluded prior to deriving the amount of net deferred tax assets subject to limitation under the guidelines.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Corporation engages in financial transactions that are not recorded on the balance sheet, or may be recorded on the balance sheet in amounts that are different than the full contract or notional amount of the transaction. These transactions are designed to (1) meet the financial needs of customers, (2) manage the Corporation's credit, market or liquidity risks, (3) diversify the Corporation's funding sources and (4) optimize capital.

As a provider of financial services, the Corporation routinely enters into commitments with off-balance sheet risk to meet the financial needs of its customers. These financial instruments may include loan commitments and standby letters of credit. These commitments are subject to the same credit policies and approval process used for on-balance sheet instruments. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial position. As of March 31, 2012, commitments to extend credit and commercial and financial standby letters of credit amounted to approximately \$408.5 million and \$80.1 million, respectively. Commitments to extend credit are agreements to lend to customers as long as the conditions established in the contract are met. Generally, the Corporation's mortgage banking activities do not enter into interest rate lock agreements with its prospective borrowers.

Table of Contents**Contractual Obligations and Commitments**

The following table presents a detail of the maturities of the Corporation's contractual obligations and commitments, which consist of CDs, long-term contractual debt obligations, commitments to sell mortgage loans and commitments to extend credit:

	Contractual Obligations and Commitments				
	As of March 31, 2012				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
	(In thousands)				
Contractual obligations ⁽¹⁾ :					
Certificates of deposit	\$ 5,816,614	3,886,344	1,848,434	68,669	13,167
Securities sold under agreements to repurchase	1,000,000	100,000		600,000	300,000
Advances from FHLB	353,440	275,000	78,440		
Notes payable	16,016				16,016
Other borrowings	231,959				231,959
Total contractual obligations	\$ 7,418,029	\$ 4,261,344	\$ 1,926,874	\$ 668,669	\$ 561,142
Commitments to sell mortgage loans	\$ 47,784	\$ 47,784			
Standby letters of credit	\$ 24,696	\$ 24,696			
Commitments to extend credit:					
Lines of credit	\$ 408,512	\$ 408,512			
Letters of credit	55,418	55,418			
Commitments to originate loans	128,291	128,291			
Total commercial commitments	\$ 592,221	\$ 592,221			

(1) \$3.3 million of tax liability, including accrued interest of \$0.9 million, associated with unrecognized tax benefits have been excluded due to the high degree of uncertainty regarding the timing of future cash flows associated with such obligations.

The Corporation has obligations and commitments to make future payments under contracts, such as debt and lease agreements, and under other commitments to sell mortgage loans at fair value and to extend credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Other contractual obligations result mainly from contracts for the rental and maintenance of equipment. Since certain commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. For most of the commercial lines of credit, the Corporation has the option to reevaluate the agreement prior to additional disbursements. There have been no significant or unexpected draws on existing commitments. In the case of credit cards and personal lines of credit, the Corporation can cancel at any time and without cause cancel the unused credit facility.

Lehman Brothers Special Financing, Inc. (Lehman) was the counterparty to the Corporation on certain interest rate swap agreements. During the third quarter of 2008, Lehman failed to pay the scheduled net cash settlement due to the Corporation, which constituted an event of default under those interest rate swap agreements. The Corporation terminated all interest rate swaps with Lehman and replaced them with other counterparties under similar terms and conditions. In connection with the unpaid net cash settlement due as of March 31, 2012 under the swap agreements, the Corporation has an unsecured counterparty exposure with Lehman, which filed for bankruptcy on October 3, 2008, of approximately \$1.4 million. This exposure was reserved in the third quarter of 2008. The Corporation had pledged collateral of \$63.6 million with Lehman to guarantee its performance under the swap agreements in the event payment thereunder was required. As of March 31, 2012, the Corporation maintained a non-performing asset of \$64.5 million related to the collateral pledged with Lehman.

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The Corporation believes that the securities pledged as collateral should not be part of the Lehman bankruptcy estate given the fact that the posted collateral constituted a performance guarantee under the swap agreements and was not part of a financing agreement, and that ownership of the securities was never transferred to Lehman. Upon termination of the interest rate swap agreements, Lehman's obligation was to return the collateral to the Corporation. During the fourth quarter of 2009, the Corporation discovered that Lehman Brothers, Inc., acting as agent of Lehman, had deposited the securities in a custodial account at JP Morgan Chase, and that, shortly before the filing of the Lehman bankruptcy proceedings, it had provided instructions to have most of the securities transferred to Barclays Capital (Barclays) in New York. After Barclays's refusal to turn over the securities, during December 2009, the Corporation filed a lawsuit against Barclays in federal court in New York demanding the return of the securities.

During February 2010, Barclays filed a motion with the court requesting that the Corporation's claim be dismissed on the grounds that the allegations of the complaint are not sufficient to justify the granting of the remedies therein sought. Shortly thereafter, the Corporation filed its opposition motion. A hearing on the motions was held in court on April 28, 2010. The court, on that date, after hearing the arguments by both sides, concluded that the Corporation's equitable-based causes of action, upon which the return of the

investment securities is being demanded, contain allegations that sufficiently plead facts warranting the denial of Barclays' motion to dismiss the Corporation's claim. Accordingly, the judge ordered the case to proceed to trial. Subsequent to the court decision, the district court judge transferred the case to the Lehman bankruptcy court for trial. This transfer does not purport that the claim of the Corporation is back in the Lehman bankruptcy proceedings and bankruptcy estate. Upon such transfer, the bankruptcy court began to entertain the pre-trial

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procedures including discovery of evidence. In this regard, an initial scheduling conference was held before the United States Bankruptcy Court for the Southern District of New York on November 17, 2010, at which time a proposed case management plan was approved. Discovery has commenced pursuant to that case management plan and is currently scheduled for completion by May 29, 2012, but this timing is subject to adjustment. Upon the case being ready for trial, the litigation will be transferred back to the federal district court. While the Corporation believes it has valid reasons to support its claim for the return of the securities, the Corporation may not succeed in its litigation against Barclays to recover all or a substantial portion of the securities.

Additionally, the Corporation continues to pursue its claim filed in January 2009 in the proceedings under the Securities Protection Act with regard to Lehman Brothers Incorporated in the United States Bankruptcy Court for the Southern District of New York. An estimated loss was not accrued as the Corporation is unable to determine the timing of the claim resolution or whether it will succeed in recovering all or a substantial portion of the collateral or its equivalent value. If additional relevant negative facts become available in future periods, a need to recognize a partial or full reserve of this claim may arise. Considering that the investment securities have not yet been recovered by the Corporation, despite its efforts in this regard, the Corporation has maintained such collateral as a non-performing asset since the second quarter of 2009.

Interest Rate Risk Management

First BanCorp manages its asset/liability position in order to limit the effects of changes in interest rates on net interest income and to maintain stability of profitability under varying interest rate scenarios. The MIALCO oversees interest rate risk and meetings focus on, among other things, current and expected conditions in world financial markets, competition and prevailing rates in the local deposit market, liquidity, securities market values, recent or proposed changes to the investment portfolio, alternative funding sources and related costs, hedging and the possible purchase of derivatives such as swaps and caps, and any tax or regulatory issues which may be pertinent to these areas. The MIALCO approves funding decisions in light of the Corporation's overall strategies and objectives.

The Corporation performs on a quarterly basis a consolidated net interest income simulation analysis to estimate the potential change in future earnings from projected changes in interest rates. These simulations are carried out over a one-to-five-year time horizon, assuming upward and downward yield curve shifts. The rate scenarios considered in these disclosures reflect gradual upward and downward interest rate movements of 200 basis points, during a twelve-month period. Simulations are carried out in two ways:

- (1) Using a static balance sheet, as the Corporation had it on the simulation date, and
- (2) Using a dynamic balance sheet based on recent patterns and current strategies.

The balance sheet is divided into groups of assets and liabilities detailed by maturity or re-pricing structure and their corresponding interest yields and costs. As interest rates rise or fall, these simulations incorporate expected future lending rates, current and expected future funding sources and costs, the possible exercise of options, changes in prepayment rates, deposits decay and other factors which may be important in projecting net interest income.

The Corporation uses a simulation model to project future movements in the Corporation's balance sheet and income statement. The starting point of the projections generally corresponds to the actual values on the balance sheet on the date of the simulations.

These simulations are highly complex, and are based on many assumptions that are intended to reflect the general behavior of the balance sheet components over the period in question. It is unlikely that actual events will match these assumptions in all cases. For this reason, the results of these forward-looking computations are only approximations of the true sensitivity of net interest income to changes in market interest rates. Several benchmark and market rate curves were used in the modeling process; primarily the LIBOR/SWAP curve, Prime, Treasury, FHLB rates, Brokered CDs rates, Repos rates and the Mortgage Commitment Rate of 30 years. Rate indices are assumed to remain constant at March 2012 end of month levels, under the flat rate scenario; a gradual (ramp) parallel upward shift of the yield curve is assumed during the first twelve months of the projection for the +200 ramp scenario. Under the falling rate scenario, rates move downward 200bps, close to zero in most cases, reflecting a flattening curve instead of a parallel downward scenario. The Libor/Swap curve for March 2012, as compared to December 2011, showed an average decrease of 8bps in the short term horizon, between one to twelve months, while market rates increase an average of 14bps in the long term horizon. The Treasury curve has been increasing during first quarter of 2012; as compared to December 2011 end of month levels.

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The following table presents the results of the simulations as of March 31, 2012 and December 31, 2011. Consistent with prior years, these exclude non-cash changes in the fair value of derivatives and liabilities elected to be measured at fair value:

(Dollars in millions)	March 31, 2012 Net Interest Income Risk (Projected for the next 12 months)				December 31, 2011 Net Interest Income Risk (Projected for the next 12 months)			
	Static Simulation		Growing Balance Sheet		Static Simulation		Growing Balance Sheet	
	\$ Change	% Change	\$ Change	% Change	\$ Change	% Change	\$ Change	% Change
+ 200 bps ramp	\$ 17.1	17.9%	\$ 17.9	4.05%	\$ 19.2	4.47%	\$ 29.2	6.74%
- 200 bps ramp	\$ (8.3)	(13.3)%	\$ (13.3)	(3.03)%	\$ (3.8)	(0.88)%	\$ 3.7	0.85%

The Corporation continues to manage its balance sheet structure to control the overall interest rate risk and preserve its capital position. As part of the Corporation's balance sheet restructuring strategies, the net interest income and the exposures at different market rates scenarios were affected during the first quarter of 2012 as compared with 2011. The Corporation experienced a higher reduction in average interest bearing liabilities than average interest-earning assets. The main drivers for the decrease in the asset side were related to paid-offs, repayments, foreclosures and charge-offs, primarily related to C&I and commercial mortgage loans.

In the liability side, the reduction is mainly attributable to the decrease of \$125.6 million in brokered CDs, repayment of \$14 million maturing FHLB advances and \$6.5 million of a matured medium term note. The proceeds from loans and MBS repayments were used to pay down approximately \$691.7 million of maturing brokered CDs with an average cost of 1.61%. Approximately \$581.7 million of the matured brokered CDs were renewed at an average cost of 0.72%.

The Corporation continues reducing its reliance on brokered certificate of deposits with the intent to grow its core deposits base at lower costs, while adjusting the mix of its funding sources to better match the expected average life of the assets.

Taking into consideration the above-mentioned facts for modeling purposes, the net interest income for the next twelve months under a non-static balance sheet scenario is estimated to increase by \$17.9 million in a gradual parallel upward move of 200 basis points when compared against the Corporation's flat or unchanged interest rate forecast scenario.

Following the Corporation's risk management policies, modeling of the downward parallel rates moves by anchoring the short end of the curve, (falling rates with a flattening curve) was performed, even though, given the current level of rates as of March 31, 2012, some market interest rate were projected to be close to zero. Under this scenario the net interest income for the next twelve months in a non-static balance sheet scenario is estimated to decrease by \$13.3 million.

Derivatives

First BanCorp uses derivative instruments and other strategies to manage its exposure to interest rate risk caused by changes in interest rates beyond management's control.

The following summarizes major strategies, including derivative activities, used by the Corporation in managing interest rate risk:

Interest rate cap agreements Interest rate cap agreements provide the right to receive cash if a reference interest rate rises above a contractual rate. The value increases as the reference interest rate rises. The Corporation enters into interest rate cap agreements for protection from rising interest rates. Specifically, the interest rate on certain of the Corporation's commercial loans to other financial institutions is generally a variable rate limited to the weighted-average coupon of the referenced residential mortgage collateral, less a contractual servicing fee. During the second quarter of 2010, the counterparty for interest rate caps for certain private label MBS was taken over by the FDIC, which resulted in the immediate cancellation of all outstanding commitments, and as a result, interest rate caps with a notional amount of \$87.0 million are no longer considered to be derivative financial instruments. The total exposure to fair value of \$3.0 million related to such contracts was reclassified to an account receivable.

Interest rate swaps Interest rate swap agreements generally involve the exchange of fixed and floating-rate interest payment obligations without the exchange of the underlying notional principal amount. As of March 31, 2012, most of the interest rate swaps outstanding are used for protection against rising interest rates. Similar to unrealized gains and losses arising from changes in fair value, net interest settlements on interest rate swaps are recorded as an adjustment to interest income or interest expense depending on whether an asset or liability is being

economically hedged.

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Indexed options Indexed options are generally over-the-counter (OTC) contracts that the Corporation enters into in order to receive the appreciation of a specified Stock Index (e.g., Dow Jones Industrial Composite Stock Index) over a specified period in exchange for a premium paid at the contract's inception. The option period is determined by the contractual maturity of the notes payable tied to the performance of the Stock Index. The credit risk inherent in these options is the risk that the exchange party may not fulfill its obligation.

Forward Contracts Forward contracts are sales of to-be-announced (TBA) mortgage-backed securities that will settle over the standard delivery date and do not qualify as regular-way security trades. Regular-way security trades are contracts with no net settlement provision and no market mechanism to facilitate net settlement and they provide for delivery of a security within the time generally established by regulations or conventions in the market-place or exchange in which the transaction is being executed. The forward sales are considered derivative instruments that need to be marked-to-market. These securities are used to hedge the FHA/VA residential mortgage loans securitizations of the mortgage-banking operations. Unrealized gains (losses) are recognized as part of mortgage banking activities in the Consolidated Statement of Loss.

For detailed information regarding the volume of derivative activities (e.g. notional amounts), location and fair values of derivative instruments in the Statement of Financial Condition and the amount of gains and losses reported in the Statement of Loss, refer to Note 9 in the accompanying unaudited consolidated financial statements.

The following tables summarize the fair value changes in the Corporation's derivatives as well as the sources of the fair values:

(In thousands)	Three-month period ended March 31, 2012
Fair value of contracts outstanding at the beginning of the period	\$ (6,557)
Changes in fair value during the period	505
Fair value of contracts outstanding as of March 31, 2012	\$ (6,052)

Source of Fair Value

(In thousands)	Maturity Less Than One Year	Maturity 1-3 Years	Maturity 3-5 Years	Maturity In Excess of 5 Years	Total Fair Value
As of March 31, 2012					
Pricing from observable market inputs	\$ 4	\$ (372)	\$ (11)	\$ (5,673)	\$ (6,052)
	\$ 4	\$ (372)	\$ (11)	\$ (5,673)	\$ (6,052)

Derivative instruments, such as interest rate swaps, are subject to market risk. As is the case with investment securities, the market value of derivative instruments is largely a function of the financial market's expectations regarding the future direction of interest rates. Accordingly, current market values are not necessarily indicative of the future impact of derivative instruments on earnings. This will depend, for the most part, on the shape of the yield curve as well as the level of interest rates.

As of March 31, 2012 and December 31, 2011, all of the derivative instruments held by the Corporation were considered economic undesignated hedges.

The use of derivatives involves market and credit risk. The market risk of derivatives stems principally from the potential for changes in the value of derivative contracts based on changes in interest rates. The credit risk of derivatives arises from the potential of default from the counterparty. To manage this credit risk, the Corporation deals with counterparties of good credit standing, enters into master netting agreements whenever possible and, when appropriate, obtains collateral. Master netting agreements incorporate rights of set-off that provide for the net

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settlement of contracts with the same counterparty in the event of default. All of the Corporation's interest rate swaps are supported by securities collateral agreements, which allow the delivery of securities to and from the counterparties depending on the fair value of the instruments, to minimize credit risk.

Refer to Note 19 of the accompanying unaudited consolidated financial statements for additional information regarding the fair value determination of derivative instruments.

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Set forth below is a detailed analysis of the Corporation's credit exposure by counterparty with respect to derivative instruments outstanding as of March 31, 2012 and December 31, 2011.

	0000000	0000000	0000000	0000000	0000000	0000000
	As of March 31, 2012					
(In thousands)						
Counterparty	Rating ⁽¹⁾	Notional	Total Exposure at Fair Value ⁽²⁾	Negative Fair Values	Total Fair Value	Accrued interest receivable (payable)
Interest rate swaps with rated counterparties:						
JP Morgan	A	\$ 33,952	\$	\$ (6,046)	\$ (6,046)	\$
Credit Suisse First Boston	A+	2,720		(360)	(360)	
Morgan Stanley	A-	107,650				
		144,322		(6,406)	(6,406)	
Other derivatives:						
Other derivatives ⁽³⁾		118,370	356	(2)	354	(165)
Total		\$ 262,692	\$ 356	\$ (6,408)	\$ (6,052)	\$ (165)

	0000000	0000000	0000000	0000000	0000000	0000000
	As of December 31, 2011					
(In thousands)						
Counterparty	Rating ⁽¹⁾	Notional	Total Exposure at Fair Value ⁽²⁾	Negative Fair Values	Total Fair Value	Accrued interest receivable (payable)
Interest rate swaps with rated counterparties:						
JP Morgan	A	\$ 34,347	\$	\$ (6,386)	\$ (6,386)	\$
Credit Suisse First Boston	A+	2,720		(381)	(381)	
Goldman Sachs	A-	6,515	899		899	
Morgan Stanley	A-	107,894				
		151,476	899	(6,767)	(5,868)	
Other derivatives:						
Other derivatives ⁽³⁾		136,128	378	(1,067)	(689)	(166)
Total		\$ 287,604	\$ 1,277	\$ (7,834)	\$ (6,557)	\$ (166)

(1) Based on the S&P and Fitch Long Term Issuer Credit Ratings.

(2) For each counterparty, this amount includes derivatives with positive fair value excluding the related accrued interest receivable/payable.

(3) Credit exposure with several Puerto Rico counterparties for which a credit rating is not readily available and forward contracts.

The discounting of the cash flows is performed using US dollar LIBOR-based discount rates or yield curves that account for the industry sector and the credit rating of the counterparty and/or the Corporation. Although most of the derivative instruments are fully collateralized, a credit spread is considered for those that are not secured in full. The cumulative mark-to-market effect of credit risk in the valuation of derivative instruments for the quarter ended March 31, 2012 and 2011 was immaterial.

Credit Risk Management

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First BanCorp is subject to credit risk mainly with respect to its portfolio of loans receivable and off-balance sheet instruments, mainly derivatives and loan commitments. Loans receivable represents loans that First BanCorp holds for investment and, therefore, First BanCorp is at risk for the term of the loan. Loan commitments represent commitments to extend credit, subject to specific conditions, for specific amounts and maturities. These commitments may expose the Corporation to credit risk and are subject to the same review and approval process as for loans. Refer to *Contractual Obligations and Commitments* above for further details. The credit risk of derivatives arises from the potential of the counterparty's default on its contractual obligations. To manage this credit risk, the Corporation deals with counterparties of good credit standing, enters into master netting agreements whenever possible and, when appropriate, obtains collateral. For further details and information on the Corporation's derivative credit risk exposure, refer to *Interest Rate Risk Management* section above. The Corporation manages its credit risk through credit policy, underwriting, independent loan review and quality control procedures, statistical analysis, comprehensive financial analysis, and established management committees. The Corporation also employs proactive collection and loss mitigation efforts. Furthermore, personnel performing structured loan workout functions are responsible for mitigating defaults and minimizing losses upon default within each region and for each business segment. In the case of C&I, commercial mortgage and construction loan portfolios, the Special Asset Group (SAG) focuses on strategies for the accelerated reduction of non-performing assets through note sales, short sales, loss mitigation programs, and sales of REO. In addition to the management of the resolution process for problem loans, the SAG oversees collection efforts for all loans to prevent migration to the non-performing and/or adversely classified status. The SAG utilizes relationship officers, collection specialists and attorneys. In the case of residential construction projects, the workout function monitors project specifics, such as project management and marketing, as deemed necessary.

The Corporation may also have risk of default in the securities portfolio. The securities held by the Corporation are principally fixed-rate mortgage-backed securities and U.S. Treasury and agency securities. Thus, a substantial portion of these instruments is backed by mortgages, a guarantee of a U.S. government-sponsored entity or the full faith and credit of the U.S. government.

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Management, comprised of the Corporation's Commercial Credit Risk Officer, Retail Credit Risk Officer, Chief Lending Officer and other senior executives, has the primary responsibility for setting strategies to achieve the Corporation's credit risk goals and objectives. These goals and objectives are documented in the Corporation's Credit Policy.

Allowance for Loan and Lease Losses and Non-performing Assets

Allowance for Loan and Lease Losses

The allowance for loan and lease losses represents the estimate of the level of reserves appropriate to absorb inherent credit losses. The amount of the allowance was determined by empirical analysis and judgments regarding the quality of each individual loan portfolio. All known relevant internal and external factors that affected loan collectibility were considered, including analyses of historical charge-off experience, migration patterns, changes in economic conditions, and changes in loan collateral values. For example, factors affecting the economies of Puerto Rico, Florida (USA), the US Virgin Islands and the British Virgin Islands may contribute to delinquencies and defaults above the Corporation's historical loan and lease losses. Such factors are subject to regular review and may change to reflect updated performance trends and expectations, particularly in times of severe stress such as have been experienced since 2008. The process includes judgmental and quantitative elements that may be subject to significant change. There is no certainty that the allowance will be adequate over time to cover credit losses in the portfolio because of continued adverse changes in the economy, market conditions, or events adversely affecting specific customers, industries or markets. To the extent actual outcomes differ from our estimates, the credit quality of our customer base materially decreases or the risk profile of a market, industry, or group of customers changes materially, or if the allowance is determined to not be adequate, additional provisions for credit losses could be required, which could adversely affect our business, financial condition, liquidity, capital, and results of operations in future periods.

The allowance for loan and lease losses provides for probable losses that have been identified with specific valuation allowances for individually evaluated impaired loans and for probable losses believed to be inherent in the loan portfolio that have not been specifically identified. Internal risk ratings are assigned to each business loan at the time of approval and are subject to subsequent periodic reviews by the Corporation's senior management. The allowance for loan and lease losses is reviewed on a quarterly basis as part of the Corporation's continued evaluation of its asset quality.

The allowance for loan losses to total loans for commercial mortgage loans increased from 6.96% as of December 31, 2011 to 7.13% at March 31, 2012, while the allowance to total loans for the C&I portfolio increased from 3.98% at December 31, 2011 to 4.25% at March 31, 2012. For the residential mortgage loan portfolio, the reserve coverage decreased slightly from 2.39% at December 31, 2011 to 2.33% at March 31, 2012. The construction loans reserve coverage ratio decreased from 21.36% as of December 31, 2011 to 20.98% at March 31, 2012 due to decreases in non-performing loans, while the consumer and finance leases reserve coverage ratio decreased from 3.86% as of December 31, 2011 to 3.61% at March 31, 2012 due to decreases in delinquency levels, historical loss rates and improvements in certain market and economic indicators relevant to this segment.

Substantially all of the Corporation's loan portfolio is located within the boundaries of the U.S. economy. Whether the collateral is located in Puerto Rico, the U.S. and British Virgin Islands or the U.S. mainland (mainly in the state of Florida), the performance of the Corporation's loan portfolio and the value of the collateral supporting the transactions are dependent upon the performance of and conditions within each specific area real estate market. The real estate market in Puerto Rico experienced readjustments in value driven by the loss of income due to the unemployment of consumers, reduced demand and the general economic conditions. The Corporation sets adequate loan-to-value ratios upon original approval following its regulatory and credit policy standards. The real estate market for the U.S. Virgin Islands remains fairly stable. In the Florida market, residential real estate has experienced a very slow turnover, but the Corporation continues to reduce its credit exposure through disposition of assets and different loss mitigation initiatives.

As shown in the following table, the allowance for loan and lease losses amounted to \$483.9 million at March 31, 2012, or 4.70% of total loans compared with \$493.9 million, or 4.68% of total loans at December 31, 2011. Refer to the Provision for Loan and Lease Losses discussion above for additional information.

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The following table sets forth an analysis of the activity in the allowance for loan and lease losses during the periods indicated:

(Dollars in thousands)	Quarter Ended March 31,	
	2012	2011
Allowance for loan and lease losses, beginning of period	\$ 493,917	\$ 553,025
Provision for loan and lease losses:		
Residential mortgage	2,336	6,327
Commercial mortgage	1,578	13,381
Commercial and Industrial	20,158	41,486
Construction	7,716	22,463
Consumer and finance leases	4,409	5,075
Total provision for loan and lease losses	36,197	88,732
Charge-offs:		
Residential mortgage	(5,858)	(5,404)
Commercial mortgage	(3,624)	(31,171)
Commercial and Industrial	(13,491)	(16,344)
Construction	(17,543)	(19,165)
Consumer and finance leases	(10,487)	(11,969)
	(51,003)	(84,053)
Recoveries:		
Residential mortgage	127	243
Commercial mortgage	30	67
Commercial and Industrial	822	56
Construction	2,151	1,927
Consumer and finance leases	1,702	1,698
	4,832	3,991
Net charge-offs	(46,171)	(80,062)
Allowance for loan and lease losses, end of period	\$ 483,943	\$ 561,695
Allowance for loan and lease losses to period end total loans receivable	4.70%	5.06%
Net charge-offs annualized to average loans outstanding during the period	1.78%	2.74%
Provision for loan and lease losses to net charge-offs during the period	0.78x	1.11x

The following table sets forth information concerning the allocation of the allowance for loan and lease losses by loan category and the percentage of loan balances in each category to the total of such loans as of the dates indicated:

(In thousands)	As of March 31, 2012		As of December 31, 2011	
	Amount	Percent	Amount	Percent

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Residential mortgage	\$ 65,283	27%	\$ 68,678	27%
Commercial mortgage loans	106,976	15%	108,992	15%
Construction loans	83,710	4%	91,386	4%
Commercial and Industrial loans (including loans to local financial institutions)	171,979	39%	164,490	39%
Consumer loans and finance leases	55,995	15%	60,371	15%
	\$ 483,943	100%	\$ 493,917	100%

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The following table sets forth information concerning the composition of the Corporation's allowance for loan and lease losses as of March 31, 2012 and December 31, 2011 by loan category and by whether the allowance and related provisions were calculated individually or through a general valuation allowance:

(Dollars in thousands)	Residential Mortgage Loans	Commercial Mortgage Loans	C&I Loans	Construction Loans	Consumer and Finance Leases	Total
As of March 31, 2012						
Impaired loans without specific reserves:						
Principal balance of loans, net of charge-offs	\$ 185,194	\$ 53,854	\$ 10,356	\$ 37,895	\$ 3,139	\$ 290,438
Impaired loans with specific reserves:						
Principal balance of loans, net of charge-offs	415,457	313,679	251,082	184,704	21,672	1,186,594
Allowance for loan and lease losses	47,105	57,932	67,248	46,796	5,495	224,576
Allowance for loan and lease losses to principal balance	11.34%	18.47%	26.78%	25.34%	25.36%	18.93%
Loans with general allowance:						
Principal balance of loans	2,198,573	1,133,213	3,782,495	176,457	1,528,015	8,818,753
Allowance for loan and lease losses	18,178	49,044	104,731	36,914	50,500	259,367
Allowance for loan and lease losses to principal balance	0.83%	4.33%	2.77%	20.92%	3.30%	2.94%
Total loans held for investment:						
Principal balance of loans	\$ 2,799,224	\$ 1,500,746	\$ 4,043,933	\$ 399,056	\$ 1,552,826	\$ 10,295,785
Allowance for loan and lease losses	65,283	106,976	171,979	83,710	55,995	483,943
Allowance for loan and lease losses to principal balance	2.33%	7.13%	4.25%	20.98%	3.61%	4.70%
As of December 31, 2011						
Impaired loans without specific reserves:						
Principal balance of loans, net of charge-offs	\$ 181,081	\$ 13,797	\$ 40,453	\$ 33,759	\$ 2,840	\$ 271,930
Impaired loans with specific reserves:						
Principal balance of loans, net of charge-offs	423,340	354,954	223,572	213,388	20,192	1,235,446
Allowance for loan and lease losses	48,566	59,167	58,652	44,768	3,749	214,902
Allowance for loan and lease losses to principal balance	11.47%	16.67%	26.23%	20.98%	18.57%	17.39%
Loans with general allowance:						
Principal balance of loans	2,269,364	1,196,660	3,866,491	180,716	1,538,785	9,052,016
Allowance for loan and lease losses	20,112	49,824	105,838	46,618	56,623	279,015
Allowance for loan and lease losses to principal balance	0.89%	4.16%	2.74%	25.80%	3.68%	3.08%
Total loans held for investment:						
Principal balance of loans	\$ 2,873,785	\$ 1,565,411	\$ 4,130,516	\$ 427,863	\$ 1,561,817	\$ 10,559,393
Allowance for loan and lease losses	68,678	108,991	164,490	91,386	60,372	493,917
Allowance for loan and lease losses to principal balance	2.39%	6.96%	3.98%	21.36%	3.87%	4.68%

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The following tables show the activity for impaired loans and the related specific reserves during the first quarter of 2012:

	March 31, 2012 (In thousands)
Impaired Loans:	
Balance at beginning of period	\$ 1,507,376
Loans determined impaired during the period	98,275
Net charge-offs	(38,139)
Increases to impaired loans (disbursements)	4,918
Foreclosures	(41,018)
Loans no longer considered impaired	(25,913)
Paid in full or partial payments	(28,467)
Balance at end of period	\$ 1,477,032

	March 31, 2012 (In thousands)
Specific Reserve:	
Balance at beginning of period	\$ 214,902
Provision for loan losses	47,813
Net charge-offs	(38,139)
Balance at end of period	\$ 224,576

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Credit Quality

Credit quality performance in the 2012 first quarter reflected continued improvement in the overall loan portfolio relating to net charge-off activity, as well as moderate improvements in delinquency trends. Total non-performing loans decreased \$23.7 million led by foreclosures, charge-offs, principal repayments and a decrease in the inflows of non-performing loans. Total non-performing assets, which include repossessed assets, decreased by \$5.0 million, or 1%. New non-performing loans inflows of \$121.0 million, decreased by \$50.8 million, or 30%, compared to inflows of \$171.8 million in the prior quarter. Total delinquencies, which include all loans 30 days or more past due and non-accrual loans, decreased by \$16.4 million.

Non-performing Loans and Non-performing Assets

Total non-performing assets consist of non-performing loans, foreclosed real estate and other repossessed properties as well as non-performing investment securities. Non-performing loans are those loans on which the accrual of interest is discontinued. When a loan is placed in non-performing status, any interest previously recognized and not collected is reversed and charged against interest income.

Non-performing Loans Policy

Residential Real Estate Loans The Corporation classifies real estate loans in non-performing status when interest and principal have not been received for a period of 90 days or more.

Commercial and Construction Loans The Corporation places commercial loans (including commercial real estate and construction loans) in non-performing status when interest and principal have not been received for a period of 90 days or more or when collection of all of principal or interest is not expected due to deterioration in the financial condition of the borrower.

Finance Leases Finance leases are classified in non-performing status when interest and principal have not been received for a period of 90 days or more.

Consumer Loans Consumer loans are classified in non-performing status when interest and principal have not been received for a period of 90 days or more.

Cash payments received on certain loans that are impaired and collateral dependent are recognized when collected in accordance with the contractual terms of the loans. The principal portion of the payment is used to reduce the principal balance of the loan, whereas the interest portion is recognized on a cash basis (when collected). However, when management believes that the ultimate collectability of principal is in doubt, the interest portion is applied to principal. The risk exposure of this portfolio is diversified as to individual borrowers and industries among other factors. In addition, a large portion is secured with real estate collateral.

Other Real Estate Owned (OREO)

OREO acquired in settlement of loans is carried at the lower of cost (carrying value of the loan) or fair value less estimated costs to sell off the real estate. Appraisals are obtained periodically, generally, on an annual basis.

Other Repossessed Property

The other repossessed property category includes repossessed boats and autos acquired in settlement of loans. Repossessed boats and autos are recorded at the lower of cost or estimated fair value.

Other non-performing assets

This category consists of assets pledged to Lehman Brothers Special Financing, Inc, at their book value.

Past Due Loans over 90 days and still accruing

These are accruing loans which are contractually delinquent 90 days or more. These past due loans are either current as to interest but delinquent in the payment of principal or are insured or guaranteed under applicable FHA and VA programs.

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Troubled Debt Restructuring (TDRs) are classified as either accrual or nonaccrual loans. A loan on nonaccrual and restructured as a TDR will remain on nonaccrual status until the borrower has proven the ability to perform under the modified structure generally for a minimum of six months and there is evidence that such payments can and are likely to continue as agreed. Performance prior to the restructuring, or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the new terms and may result in the loans being returned to accrual at the time of the restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains classified as a nonaccrual loan.

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The following table presents non-performing assets as of the dates indicated:

(Dollars in thousands)	March 31, 2012	December 31, 2011
Non-performing loans held for investment:		
Residential mortgage	\$ 341,188	\$ 338,208
Commercial mortgage	244,391	240,414
Commercial and Industrial	263,604	270,171
Construction	231,071	250,022
Finance leases	3,387	3,485
Consumer	35,772	36,062
	1,119,413	1,138,362
Other real estate owned	135,905	114,292
Other repossessed property	12,494	15,392
Other assets ⁽¹⁾	64,543	64,543
Total non-performing assets, excluding loans held for sale	\$ 1,332,355	\$ 1,332,589
Non-performing loans held for sale		4,764
Total non-performing assets, including loans held for sale	\$ 1,332,355	\$ 1,337,353
Past due loans 90 days and still accruing	\$ 133,191	\$ 130,816
Non-performing assets to total assets	10.18%	10.19%
Non-performing loans held for investment to total loans held for investment	10.87%	10.78%
Allowance for loan and lease losses	483,943	493,917
Allowance to total non-performing loans held for investment	43.23%	43.39%
Allowance to total non-performing loans held for investment, excluding residential real estate loans	62.19%	61.73%

(1) Collateral pledged to Lehman Brothers Special Financing, Inc.

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The following table shows non-performing assets by geographic segment:

(Dollars in thousands)	March 31, 2012	December 31, 2011
Puerto Rico:		
Non-performing loans held for investment:		
Residential mortgage	\$ 305,955	\$ 297,595
Commercial mortgage	172,825	170,949
Commercial and Industrial	252,345	261,189
Construction	137,078	137,478
Finance leases	3,387	3,485
Consumer	33,686	34,888
Total non-performing loans held for investment	905,276	905,584
REO	91,452	85,788
Other repossessed property	12,415	15,283
Other assets	64,543	64,543
Total non-performing assets, excluding loans held for sale	\$ 1,073,686	\$ 1,071,198
Non-performing loans held for sale		4,764
Total non-performing assets, including loans held for sale	\$ 1,073,686	\$ 1,075,962
Past due loans 90 days and still accruing	\$ 124,940	\$ 118,888
Virgin Islands:		
Non-performing loans held for investment:		
Residential mortgage	\$ 11,731	\$ 11,470
Commercial mortgage	14,991	12,851
Commercial and Industrial	9,631	7,276
Construction	87,555	110,594
Consumer	489	518
Total non-performing loans held for investment	124,397	142,709
REO	27,263	7,200
Other repossessed property	36	67
Total non-performing assets, excluding loans held for sale	\$ 151,696	\$ 149,976
Non-performing loans held for sale		
Total non-performing assets, including loans held for sale	\$ 151,696	\$ 149,976
Past due loans 90 days and still accruing	\$ 8,251	\$ 11,204
Florida:		
Non-performing loans held for investment:		
Residential mortgage	\$ 23,502	\$ 29,143
Commercial mortgage	56,575	56,614
Commercial and Industrial	1,628	1,706
Construction	6,438	1,950
Consumer	1,597	656

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Total non-performing loans held for investment	89,740	90,069
REO	17,190	21,304
Other repossessed property	43	42
Total non-performing assets, excluding loans held for sale Non-performing loans held for sale	\$ 106,973	\$ 111,415
Total non-performing assets, including loans held for sale	\$ 106,973	\$ 111,415
Past due loans 90 days and still accruing	\$	\$ 724

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Total non-performing loans were \$1.12 billion at March 31, 2012, which represented 10.87% of total loans held for investment. This represents a decrease of \$23.7 million, or 2%, from \$1.14 billion, or 13.28% of total loans held for investment at December 31, 2011.

Non-performing construction loans decreased by \$23.7 million, or 9%, from the end of the fourth quarter of 2011. Non-performing construction loans in the Virgin Islands decreased by \$23.0 million, led by the foreclosure of the underlying collateral of two commercial projects in the Virgin Islands with an aggregate book value of \$16.8 million (net of charge-offs of \$4.9 million recorded at the time of foreclosure) and a charge-off of \$2.2 million in another commercial project. Non-performing construction loans in Puerto Rico decreased by \$5.2 million mainly due to net charge-offs of \$10.4 million in the first quarter, led by a \$7.5 million charge-off recorded for a commercial project. This was partially offset by inflows of \$5.2 million, including a \$4.4 million residential land loan. Meanwhile, non-performing construction loans in the United States increased by \$4.5 million driven by the inflow to non-performing status of a \$4.5 million residential land loan. The inflows of non-performing construction loans increased by \$4.4 million from \$6.4 million for the fourth quarter of 2011 to \$13.2 million in the first quarter of 2012.

C&I non-performing loans decreased by \$6.6 million, or 2%, on a sequential quarter basis, reflecting primarily charge-offs and a decline in the level of inflows. The decline was mainly in Puerto Rico where C&I non-performing loans decreased by \$8.8 million, led by net charge-offs of \$12.6 million, foreclosures of \$5.1 million and repayments of \$4.2 million. This was partially offset by inflows of \$14.5 million during the first quarter, including three relationships individually in excess of \$1 million totaling \$9.5 million. Non-performing C&I loans in the Virgin Islands increased by \$2.4 million driven by the inflow to non-performing status of three loans, including one loan of \$1.3 million. C&I non-performing loans in the United States remained almost unchanged with a decrease of \$0.1 million, mainly related to charge-offs. Total inflows of non-performing C&I loans, for all geographic segments, declined 26% from \$27.0 million for the fourth quarter of 2011 to \$19.9 million for the first quarter of 2012.

Non-performing residential mortgage loans increased \$3.0 million, or less than 1%, from December 31, 2011. The increase was mainly due to an increase in the inflows of non-performing residential mortgage loans in Puerto Rico. This was partially offset by several factors, including: (i) loans brought current, (ii) foreclosures that contributed to the increase in the REO portfolio discussed below, (iii) the restoration to accrual status of modified loans that successfully completed a trial performance period and (iv) charge-offs and principal repayments. The level of inflows of non-performing residential mortgage loans increased 16% from \$49.4 million for the fourth quarter of 2011 to \$57.3 million in the first quarter of 2012.

In terms of geographic segments, non-performing residential mortgage loans in Puerto Rico increased by \$8.4 million, partially offset by a \$5.6 million decrease in the United States driven by the repayment of a \$5.3 million loan. Non-performing residential mortgage loans in the Virgin Islands increased by \$0.3 million. Approximately \$222.1 million, or 65% of total non-performing residential mortgage loans, have been written down to their net realizable value.

Non-performing commercial mortgage loans increased by \$4.0 million, or 2%, from the end of the fourth quarter of 2011. Non-performing commercial mortgage loans in Puerto Rico increased by \$1.9 million led by the inflow of a \$5.1 million relationship that was modified as a TDR during the first quarter, partially offset by foreclosures. Non-performing commercial mortgage loans in the Virgin Islands increased by \$2.1 million mainly associated with the inflow to non-performing status of two relationships with an aggregate balance of \$5.1 million, including a \$2.9 million TDR loan that redefaulted during the first quarter. This was partially offset by, among other things, the foreclosure of the underlying collateral of a \$3.0 million loan. Non-performing commercial mortgage loans in the United States remained almost unchanged with a decrease of less than \$0.1 million, however, the activity showed increases due to inflows of \$4.0 million led by two relationships with an aggregate balance of \$3.8 million, offset by: (i) foreclosures of \$1.8 million, (ii) \$1.0 million of net charge-offs, (iii) a \$0.5 million loan brought current and (iv) \$0.7 million in principal repayments. Total inflows of non-performing commercial mortgage loans declined 75% from \$74.3 million in the fourth quarter of 2011 to \$18.7 million for the first quarter of 2012.

The levels of non-performing consumer loans, including finance leases, showed a \$0.4 million decrease during the first quarter of 2012. The decrease was mainly related to auto and personal loans in Puerto Rico, partially offset by an increase in the boats financing category. The inflows of non-performing consumer loans declined 3% from \$14.7 million for the fourth quarter of 2011 to \$14.3 million in the first quarter of 2012.

At March 31, 2012, approximately \$237.0 million of the loans placed in non-accrual status, mainly construction and commercial loans, were current, or had delinquencies of less than 90 days in their interest payments, including \$186.5 million of TDRs maintained in nonaccrual status until the restructured loans meet the criteria of sustained payment performance under the revised terms for reinstatement to accrual status and there is no doubt about full collectability. Collections are being recorded on a cash basis through earnings, or on a cost-recovery basis, as conditions warrant.

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During the quarter ended March 31, 2011, interest income of approximately \$2.7 million related to non-performing loans with a carrying value of \$691.3 million as of March 31, 2012, mainly non-performing construction and commercial loans, was applied against the related principal balances under the cost-recovery method.

The allowance to non-performing loans held for investment ratio as of March 31, 2012 was 43.23%, compared to 43.39% as of December 31, 2011. As of March 31, 2012, approximately \$335.8 million, or 30%, of total non-performing loans have been charged-off to their net realizable value as shown in the following table.

(Dollars in thousands)	Residential Mortgage Loans	Commercial Mortgage Loans	C&I Loans	Construction Loans	Consumer and Finance Leases	Total
As of March 31, 2012						
Non-performing loans held for investment charged-off to realizable value	\$ 222,093	\$ 11,335	\$ 58,205	\$ 41,531	\$ 2,624	\$ 335,788
Other non-performing loans held for investment	119,095	233,056	205,399	189,540	36,535	783,625
Total non-performing loans held for investment	\$ 341,188	\$ 244,391	\$ 263,604	\$ 231,071	\$ 39,159	\$ 1,119,413
Allowance to non-performing loans held for investment	19.13%	43.77%	65.24%	36.23%	142.99%	43.23%
Allowance to non-performing loans held for investment, excluding non-performing loans charged-off to realizable value	54.82%	45.90%	83.73%	44.16%	153.26%	61.76%
As of December 31, 2011						
Non-performing loans held for investment charged-off to realizable value	\$ 233,703	\$ 21,925	\$ 70,462	\$ 70,959	\$ 2,605	\$ 399,654
Other non-performing loans held for investment	104,505	218,489	199,709	179,063	36,942	738,708
Total non-performing loans held for investment	\$ 338,208	\$ 240,414	\$ 270,171	\$ 250,022	\$ 39,547	\$ 1,138,362
Allowance to non-performing loans held for investment	20.31%	45.33%	60.88%	36.55%	152.66%	43.39%
Allowance to non-performing loans held for investment, excluding non-performing loans charged-off to realizable value	65.72%	49.88%	82.36%	51.04%	163.42%	66.86%

The Corporation provides homeownership preservation assistance to its customers through a loss mitigation program in Puerto Rico and in accordance with the government's Home Affordable Modification Program guidelines. Depending upon the nature of borrowers' financial condition, restructurings or loan modifications through this program as well as other restructurings of individual commercial, commercial mortgage, construction and residential mortgage loans in the U.S. mainland fit the definition of Troubled debt restructurings (TDR). A restructuring of a debt constitutes a TDR if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Modifications involve changes in one or more of the loan terms that bring a defaulted loan current and provide sustainable affordability. Changes may include the refinancing of any past-due amounts, including interest and escrow, the extension of the maturity of the loan and modifications of the loan rate. As of March 31, 2012, the Corporation's total TDR loans of \$853.6 million consisted of \$386.3 million of residential mortgage loans, \$113.8 million of commercial and industrial loans, \$223.6 million of commercial mortgage loans, \$108.0 million of construction loans and \$21.9 million of consumer loans. Outstanding unfunded commitments on TDR loans amounted to \$3.7 million as of March 31, 2012.

The Corporation's loss mitigation programs for residential mortgage and consumer loans can provide for one or a combination of the following: movement of interest past due to the end of the loan, extension of the loan term, deferral of principal payments for a significant period of time, and reduction of interest rates either permanently (up to 2010) or for a period of up to two years (step-up rates). Additionally, in remote cases, the restructuring may provide for the forgiveness of contractually due principal or interest. Uncollected interest is added to the end of the loan

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term at the time of the restructuring and not recognized as income until collected or when the loan is paid off. These programs are available to only those borrowers who have defaulted, or are likely to default, permanently on their loan and would lose their homes in foreclosure action absent some lender concession. Notwithstanding, if the Corporation is not reasonably assured that the borrower will comply with its contractual commitment, properties are foreclosed.

In addition to residential loans modified in TDRs described above, the Corporation also enters into trial modifications with certain borrowers. Trial modifications generally represent a three month period whereby the borrower makes monthly payments under the anticipated modified payment terms prior to a formal modification. Trial modifications lasting more than three months are considered TDRs. Upon successful completion of a trial modification, the Corporation and the borrower enter into a permanent modification where the terms of the loan are formally modified. Approximately 79% of all loans that entered into a trial modification during the last twelve months became permanent modifications as of March 31, 2012. Substantially all permanent modifications are considered TDRs and are included in the TDR disclosures herein. As of March 31, 2012, the Corporation had 202 loans that were in trial modifications and were not considered TDRs, with an unpaid principal balance of \$30.8 million and a carrying value of \$28.4 million.

For the commercial real estate, commercial and industrial, and the construction portfolios, at the time of the restructuring, the Corporation determines, on a loan by loan basis, whether a concession was granted for economic or legal reasons related to the

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borrower's financial difficulty. Concessions granted for commercial loans could include: reductions in interest rates to rates that are considered below market; extension of repayment schedules and maturity dates beyond original contractual terms; waiving of borrower covenants; forgiveness of principal or interest; or other contract changes that would be considered a concession. The Corporation mitigates loan defaults for its commercial loan portfolios through its collections function. The function's objective is to minimize both early stage delinquencies and losses upon default of commercial loans. In the case of C&I, commercial mortgage and construction loan portfolios, the Special Asset Group (SAG) focuses on strategies for the accelerated reduction of non-performing assets through note sales, short sales, loss mitigation programs, and sales of REO. In addition to the management of the resolution process for problem loans, the SAG oversees collection efforts for all loans to prevent migration to the non-performing and/or adversely classified status. The SAG utilizes relationship officers, collection specialists and attorneys. In the case of residential construction projects, the workout function monitors project specifics, such as project management and marketing, as deemed necessary. The SAG utilizes its collections infrastructure of workout collection officers, credit work-out specialists, in-house legal counsel, and third party consultants. In the case of residential construction projects and large commercial loans, the function also utilizes third-party specialized consultants to monitor the residential and commercial construction projects in terms of construction, marketing and sales, and restructuring of large commercial loans. In addition, the Corporation extends, renews and restructures loans with satisfactory credit profiles. Many commercial loan facilities are structured as lines of credit, which are mainly one year in term and therefore are required to be renewed annually. Other facilities may be restructured or extended from time to time based upon changes in the borrower's business needs, use of funds, timing of completion of projects and other factors. If the borrower is not deemed to have financial difficulties, extensions, renewals and restructurings are done in the normal course of business and not considered concessions, and the loans continue to be recorded as performing.

TDRs are classified as either accrual or nonaccrual loans. A loan on nonaccrual and restructured as a TDR will remain on nonaccrual status until the borrower has proven the ability to perform under the modified structure for a minimum of six months and there is evidence that such payments can and are likely to continue as agreed. Performance prior to the restructuring, or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the new terms and may result in the loans being returned to accrual at the time of the restructuring or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains classified as a nonaccrual loan. Loan modifications increase the Corporation's interest income by returning a non-performing loan to performing status, if applicable, and increase cash flows by providing for payments to be made by the borrower, and avoid increases in foreclosure and real estate owned costs. The Corporation continues to consider a modified loan as an impaired loan for purposes of estimating the allowance for loan and lease losses.

The following table provides a breakdown between accrual and nonaccrual status of TDRs as of March 31, 2012:

(In thousands)	Accrual	March 31, 2012	
		Nonaccrual ⁽¹⁾	Total TDRs
Non- FHA/VA Residential Mortgage loans	\$ 281,832	\$ 104,458	\$ 386,290
Commercial Mortgage Loans	123,381	100,238	223,619
Commercial & Industrial Loans	18,751	95,064	113,815
Construction Loans	2,188	105,827	108,015
Consumer Loans - Auto	5,851	4,047	9,898
Finance Leases	2,054	89	2,143
Consumer Loans - Other	7,692	2,152	9,844
Total Troubled Debt Restructurings	\$ 441,749	\$ 411,875	\$ 853,624

- (1) Included in non-accrual loans are \$186.5 million in loans that are performing under the terms of the restructuring agreement but are reported in non-accrual until the restructured loans meet the criteria of sustained payment performance under the revised terms for reinstatement to accrual status and there is no doubt about full collectibility.

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The REO portfolio, which is part of non-performing assets, increased by \$21.6 million, mainly reflecting the foreclosure of commercial construction properties in the Virgin Islands, including the aforementioned \$16.8 million relationship that led to the decrease in non-performing construction loans. The following table shows the activity during the first quarter of 2012 of the REO portfolio by geographic region and type of property:

(In thousands)	As of March 31, 2012									
	Puerto Rico			Virgin Islands			Florida			Consolidated
	Residential	Commercial	Construction	Residential	Commercial	Construction	Residential	Commercial	Construction	
Beginning Balance	\$ 55,381	\$ 24,629	\$ 5,778	\$ 6,520	\$ 680	\$ 5,710	\$ 11,613	\$ 3,981	\$ 114,292	
Additions	12,774	11,477	76		3,061	17,388	1,483	1,989	48,248	
Sales	(10,099)	(3,008)	(163)	(374)			(2,188)	(4,695)	(20,527)	
Fair value adjustments	(3,069)	(1,993)	(331)			(12)	(222)	(241)	(240)	(6,108)
Ending balance	\$ 54,987	\$ 31,105	\$ 5,360	\$ 6,146	\$ 3,061	\$ 18,056	\$ 4,783	\$ 8,666	\$ 3,741	\$ 135,905

The over 90-day delinquent, but still accruing, loans, excluding loans guaranteed by the U.S. Government, increased during the first quarter of 2012 by \$3.6 million to \$49.2 million, or 0.48% of total loans held for investment, at March 31, 2012. Loans 30 to 89 days delinquent increased by \$0.2 million, to \$273.9 million as of March 31, 2012.

Net Charge-offs and Total Credit Losses

Total net charge-offs for the first quarter of 2012 were \$46.2 million, or 1.78% of average loans on an annualized basis. This was down \$33.9 million, or 42%, from \$80.1 million, or an annualized 2.74%, in the first quarter of 2011. The amount of net charge-offs and the ratio of net charge-offs to total loans are the lowest since the first quarter of 2009.

Construction loans net charge-offs in the first quarter of 2012 were \$15.4 million, or an annualized 14.23%, compared to \$17.2 million, or an annualized 8.50% of related loans, in the first quarter of 2011. Approximately \$10.4 million, of the construction loans net charge-offs in the first quarter of 2012 were in Puerto Rico, including an individual charge-off of \$7.5 million related to a commercial project. In the Virgin Islands, construction loans net charge-offs of \$7.0 million in the first quarter were primarily associated with three loans, including \$4.9 million related to the aforementioned foreclosure of the underlying collateral of non-performing construction commercial projects. The United States construction loan portfolio reflected a net recovery of \$2.0 million, including a \$1.5 million recovery related to a residential land loan that was fully charged-off previously. The construction portfolio in Florida has been considerably reduced over the past three years to \$23.8 million as of March 31, 2012.

C&I loan net charge-offs in the first quarter of 2012 were \$12.7 million, or an annualized 1.25% of related average loans, down from \$16.3 million, or an annualized 1.54% of related loans, in the first quarter of 2011. Substantially all of the charge-offs recorded in the first quarter of 2012 were in Puerto Rico spread through several industries. Approximately 78%, or \$9.8 million, of the net charge-offs in the first quarter of 2012 were related to four relationships with individual charge-offs in excess of \$1 million, most of them with previously established adequate reserves.

Commercial mortgage loans net charge-offs in the first quarter of 2012 were \$3.6 million, or an annualized 0.92% of related average loans, down from \$31.1 million, or an annualized 7.37% of related loans, in the first quarter of 2011. Approximately 72%, or \$2.6 million, of the commercial mortgage loans net charge-offs in the first quarter of 2012 was in Puerto Rico, including \$1.2 million related to the foreclosure of loans and generally associated with small relationships. None of the charge-offs was individually in excess of \$1 million. Commercial mortgage loans net charge-offs in the United States amounted to \$1.0 million for the first quarter of 2012; consisting of three relationships with individual charge-offs under \$0.5 million. Net charge-offs in the first quarter of 2011 were mainly driven by the charge-off related to an \$85.6 million relationship in Puerto Rico restructured by the Corporation through a loan split.

Residential mortgage loan net charge-offs were \$5.7 million, or an annualized 0.82% of related average loans compared to \$5.2 million, or an annualized 0.63% for the comparable period in 2011. Approximately \$3.9 million in charge-offs for the first quarter of 2012 (\$3.4 million in Puerto Rico, \$0.4 million in Florida and \$0.1 million in the Virgin Islands) resulted from valuations for impairment purposes of residential mortgage loan portfolios considered homogeneous given high delinquency and loan-to-value levels, compared to \$4.0 million recorded in the first quarter of 2011. Net charge-offs on residential mortgage loans also included \$1.5 million related to the foreclosure of loans during the first quarter of 2012, compared to \$1.4 million recorded for foreclosures in the first quarter of 2011. The total amount of the residential mortgage loan portfolio that had been charged-off to its net realizable value as of March 31, 2012 amounted to \$222.1 million. This represents

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approximately 65% of the total non-performing residential mortgage loan portfolio outstanding as of March 31, 2012.

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Net charge-offs on consumer loans and finance leases in the first quarter of 2012 were \$8.8 million, or an annualized 2.26% of related average loans down from \$10.3 million, or an annualized 2.43% of average loans for the first quarter of 2011.

The following table presents annualized charge-offs to average loans held-in-portfolio:

	Quarter Ended	
	March 31, 2012	March 31, 2011
Residential mortgage	0.82%	0.63%
Commercial mortgage	0.92%	7.37%
Commercial and Industrial	1.25%	1.54%
Construction	14.23%	8.50%
Consumer and finance leases	2.26%	2.43%
Total loans	1.78%	2.74%

The above ratios are based on annualized charge-offs and are not necessarily indicative of the results expected for the entire year or in subsequent periods.

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The following table presents annualized net charge-offs to average loans by geographic segment:

	Quarter Ended	
	March 31, 2012	March 31, 2011
PUERTO RICO:		
Residential mortgage	0.95%	0.39%
Commercial mortgage	0.98%	10.07%
Commercial and Industrial	1.33%	1.55%
Construction	15.78%	8.77%
Consumer and finance leases	2.28%	2.50%
Total loans	1.80%	2.82%
VIRGIN ISLANDS:		
Residential mortgage	0.08%	0.05%
Commercial mortgage	0.00%	0.00%
Commercial and Industrial	0.03%	1.59%
Construction	19.29%	0.16%
Consumer and finance leases	0.90%	1.05%
Total loans	3.22%	0.45%
FLORIDA:		
Residential mortgage	0.90%	3.26%
Commercial mortgage	0.93%	1.65%
Commercial and Industrial	0.72%	0.92%
Construction	-33.52% ⁽¹⁾	26.29%
Consumer and finance leases	3.59%	1.59%
Total loans	0.00%	4.29%

(1) For the first quarter of 2012, recoveries in construction loans in the Florida exceeded charge-offs.

Total credit losses (equal to net charge-offs plus losses on REO operations) for the quarter ended March 31, 2012 amounted to \$49.6 million, or 1.89% on an annualized basis to average loans and repossessed assets in contrast to credit losses of \$85.6 million, or a loss rate of 2.91%, for the first quarter of 2011.

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The following table presents a detail of the REO inventory and credit losses for the periods indicated:

	Quarter Ended March 31,	
	2012	2011
	(In thousands)	
REO		
REO balances, carrying value:		
Residential	\$ 65,915	\$ 58,426
Commercial	42,832	26,434
Construction	27,158	7,088
Total	\$ 135,905	\$ 91,948
REO activity (number of properties):		
Beginning property inventory,	575	479
Properties acquired	120	91
Properties disposed	(105)	(80)
Ending property inventory	590	490
Average holding period (in days)		
Residential	388	332
Commercial	263	418
Construction	154	480
	302	368
REO operations (loss) gain:		
Market adjustments and (losses) gain on sale:		
Residential	(1,292)	(2,633)
Commercial	1,065	(1,103)
Construction	(276)	135
	(503)	(3,601)
Other REO operations expenses	(2,940)	(1,899)
Net Loss on REO operations	\$ (3,443)	\$ (5,500)
CHARGE-OFFS		
Residential charge-offs, net	(5,731)	(5,161)
Commercial charge-offs, net	(16,263)	(47,392)
Construction charge-offs, net	(15,392)	(17,238)
Consumer and finance leases charge-offs, net	(8,785)	(10,271)
Total charge-offs, net	(46,171)	(80,062)
TOTAL CREDIT LOSSES ⁽¹⁾	\$ (49,614)	\$ (85,562)
LOSS RATIO PER CATEGORY ⁽²⁾:		
Residential	0.98%	0.94%

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Commercial	1.08%	3.27%
Construction	14.13%	8.36%
Consumer	2.24%	2.41%
TOTAL CREDIT LOSS RATIO ⁽³⁾	1.89%	2.91%

- (1) Equal to REO operations (losses) gains plus Charge-offs, net.
- (2) Calculated as net charge-offs plus market adjustments and gains (losses) on sale of REO divided by average loans and repossessed assets.
- (3) Calculated as net charge-offs plus net loss on REO operations divided by average loans and repossessed assets.

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Operational Risk

The Corporation faces ongoing and emerging risk and regulatory pressure related to the activities that surround the delivery of banking and financial products. Coupled with external influences such as market conditions, security risks, and legal risk, the potential for operational and reputational loss has increased. In order to mitigate and control operational risk, the Corporation has developed, and continues to enhance, specific internal controls, policies and procedures that are designated to identify and manage operational risk at appropriate levels throughout the organization. The purpose of these mechanisms is to provide reasonable assurance that the Corporation's business operations are functioning within the policies and limits established by management.

The Corporation classifies operational risk into two major categories: business specific and corporate-wide affecting all business lines. For business specific risks, a risk assessment group works with the various business units to ensure consistency in policies, processes and assessments. With respect to corporate-wide risks, such as information security, business recovery, and legal and compliance, the Corporation has specialized groups, such as the Legal Department, Information Security, Corporate Compliance, Information Technology and Operations. These groups assist the lines of business in the development and implementation of risk management practices specific to the needs of the business groups.

Legal and Compliance Risk

Legal and compliance risk includes the risk of non-compliance with applicable legal and regulatory requirements, the risk of adverse legal judgments against the Corporation, and the risk that a counterparty's performance obligations will be unenforceable. The Corporation is subject to extensive regulation in the different jurisdictions in which it conducts its business, and this regulatory scrutiny has been significantly increasing over the last several years. The Corporation has established and continues to enhance procedures based on legal and regulatory requirements that are designed to ensure compliance with all applicable statutory and regulatory requirements. The Corporation has a Compliance Director who reports to the Chief Risk Officer and is responsible for the oversight of regulatory compliance and implementation of an enterprise-wide compliance risk assessment process. The Compliance division has officer roles in each major business areas with direct reporting relationships to the Corporate Compliance Group.

Concentration Risk

The Corporation conducts its operations in a geographically concentrated area, as its main market is Puerto Rico. However, the Corporation has diversified its geographical risk as evidenced by its operations in the Virgin Islands and in Florida.

As of March 31, 2012, the Corporation had \$342.3 million outstanding in credit facilities granted to the Puerto Rico Government and/or its political subdivisions, down from \$360.1 million as of December 31, 2011, and \$142.0 million granted to the Virgin Islands government, up from \$139.4 million as of December 31, 2011. A substantial portion of these credit facilities consist of loans to the central Government. Another portion of these obligations consists of loans to public corporations that obtain revenues from rates charged for services or products, such as electric power and water utilities. Public corporations have varying degrees of independence from the central Government and many receive appropriations or other payments from it. The Corporation also has loans to various municipalities in Puerto Rico for which the good faith, credit and unlimited taxing power of the applicable municipality have been pledged to their repayment.

Aside from loans extended to the Puerto Rico Government and its political subdivision, the largest loan to one borrower as of March 31, 2012 in the amount of \$269.0 million is with one mortgage originator in Puerto Rico. This commercial loan is secured by individual real-estate loans, mostly 1-4 residential mortgage loans.

Of the total gross loan held for investment portfolio of \$10.3 billion as of March 31, 2012, approximately 84% have credit risk concentration in Puerto Rico, 8% in the United States and 8% in the Virgin Islands.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information regarding market risk to which the Corporation is exposed, see the information contained in Part I Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Management.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Control and Procedures

First BanCorp's management, including its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of First BanCorp's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of March 31, 2012. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective.

Internal Control over Financial Reporting

There have been no changes to the Corporation's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the opinion of the Company's management, the pending and threatened legal proceedings of which management is aware will not have a material adverse effect on the financial condition, results of operations or cash flows of the Corporation.

ITEM 1A. RISK FACTORS

Our business, operating results and/or the market price of our common and preferred stock may be significantly affected by a number of factors. For a detailed discussion of certain risk factors that could affect the Corporation's operations, financial condition or results for future periods see Item 1A, Risk Factors, in the Corporation's 2011 Annual Report on Form 10-K. These factors could also cause actual results to differ materially from historical results or the results contemplated by the forward-looking statements contained in this report. Also refer to the discussion in Part I Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations in this report for additional information that may supplement or update the discussion of risk factors in the Corporation's 2011 Form 10-K.

The risks described in the Corporation's 2011 Form 10-K are not the only risks facing the Corporation. Additional risks and uncertainties not currently known to the Corporation or currently deemed by the Corporation to be immaterial also may materially adversely affect the Corporation's business, financial condition or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

12.1 Ratio of Earnings to Fixed Charges.

12.2 Ratio of Earnings to Fixed Charges and Preference Dividends.

31.1 CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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32.1 CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 Interactive Data File (Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, furnished in XBRL (eXtensible Business Reporting Language))

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Corporation has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized:

First BanCorp.
Registrant

Date: May 10, 2012

By: /s/ Aurelio Alemán
Aurelio Alemán
President and Chief Executive Officer

Date: May 10, 2012

By: /s/ Orlando Berges
Orlando Berges
Executive Vice President and Chief Financial Officer