FIRST BANCORP /PR/
Form 10-Q
May 10, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

____

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2016

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to _______

COMMISSION FILE NUMBER 001-14793

First BanCorp.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Puerto Rico (State or other jurisdiction of incorporation or organization)	66-0561882 (I.R.S. employer identification number)
1519 Ponce de León Avenue, Stop 23 Santurce, Puerto Rico (Address of principal executive offices)	00908 (Zip Code)

(787) 729-8200
(Registrant's telephone number, including area code)
Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer þ
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock: 217,047,224 shares outstanding as of April 30, 2016.

FIRST BANCORP.

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Forward Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are subject to the safe harbors created by such sections. When used in this Form 10-Q or future filings by First BanCorp. (the "Corporation") with the U.S. Securities and Exchange Commission ("SEC"), in the Corporation's press releases or in other public or stockholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "would," "will allow," "intends," "will likely result," "expect to," "should," "anticipate," "look forward," "believes," and other terms of similar meaning or import in connection with any discussion of future operating, financial or other performance are meant to identify "forward-looking statements."

FirstBanCorp. wishes to caution readers not to place undue reliance on any such "forward-looking statements," which speak only as of the date made, and to advise readers that these forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties, estimates and assumptions by us that are difficult to predict. Various factors, some of which are beyond our control, could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. Factors that might cause such a difference include, but are not limited to, the risks described or referenced below in Item 1A. "Risk Factors," and the following:

- the ability of the Puerto Rico government or any of its public corporations or other instrumentalities to repay its respective debt obligations, including the effect of the recent payment defaults on bonds of the Government Development Bank for Puerto Rico ("GDB") and certain bonds of government public corporations, recent and any future downgrades of the long-term and short-term debt ratings of the Puerto Rico government, and uncertainties as to how the United States ("U.S.") government will address Puerto Rico's financial problems, which could exacerbate Puerto Rico's adverse economic conditions and, in turn, further adversely impact the Corporation;

- uncertainty about whether the Corporation will be able to continue to fully comply with the written agreement dated June 3, 2010 (the "Written Agreement") that the Corporation entered into with the Federal Reserve Bank of New York (the "New York FED" or "Federal Reserve") that, among other things, requires the Corporation to serve as a source of strength to FirstBank Puerto Rico ("FirstBank" or the "Bank") and that, except with the consent generally of the New York FED and the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), prohibits the Corporation from paying dividends to stockholders or receiving dividends from FirstBank, making payments on trust preferred securities or subordinated debt and incurring, increasing or guaranteeing debt or repurchasing any capital securities;

- a decrease in demand for the Corporation's products and services and lower revenues and earnings because of the continued recession in Puerto Rico;

- uncertainty as to the availability of certain funding sources, such as retail brokered certificates of deposit (“brokered CDs”);

- the Corporation’s reliance on brokered CDs to fund operations and provide liquidity;

- the risk of not being able to fulfill the Corporation’s cash obligations or resume paying dividends to the Corporation’s stockholders in the future due to the Corporation’s need to receive approval from the New York FED and the Federal Reserve Board to declare or pay any dividends and to take dividends or any other form of payment representing a reduction in capital from FirstBank or FirstBank’s failure to generate sufficient cash flow to make a dividend payment to the Corporation;

- the weakness of the real estate markets and of the consumer and commercial sectors and their impact on the credit quality of the Corporation’s loans and other assets, which has contributed and may continue to contribute to, among other things, high levels of non-performing assets, charge-offs and provisions for loan and lease losses and may subject the Corporation to further risk from loan defaults and foreclosures;

- the ability of FirstBank to realize the benefits of its deferred tax assets subject to the remaining valuation allowance;

- adverse changes in general economic conditions in Puerto Rico, the U.S., and the U.S. Virgin Islands (“USVI”) and British Virgin Islands (“BVI”), including the interest rate environment, market liquidity, housing absorption rates, real estate prices, and disruptions in the U.S. capital markets, which reduced interest margins and affected funding sources, and has affected demand for all of the Corporation’s products and services and reduced the Corporation’s revenues and earnings, and the value of the Corporation’s assets, and may continue to have these effects;

- an adverse change in the Corporation’s ability to attract new clients and retain existing ones;

- the risk that additional portions of the unrealized losses in the Corporation's investment portfolio are determined to be other-than-temporary, including additional impairments on the Puerto Rico government's obligations;

- uncertainty about regulatory and legislative changes for financial services companies in Puerto Rico, the U.S., the USVI and the BVI, which could affect the Corporation's financial condition or performance and could cause the Corporation's actual results for future periods to differ materially from prior results and anticipated or projected results;

- changes in the fiscal and monetary policies and regulations of the U.S. federal government and the Puerto Rico and other governments, including those determined by the Federal Reserve Board, the New York FED, the Federal Deposit Insurance Corporation ("FDIC"), government-sponsored housing agencies, and regulators in Puerto Rico, the USVI and the BVI;

- the risk of possible failure or circumvention of controls and procedures and the risk that the Corporation's risk management policies may not be adequate;

- the risk that the FDIC may increase the deposit insurance premium and/or require special assessments to replenish its insurance fund, causing an additional increase in the Corporation's non-interest expenses;

- the impact on the Corporation's results of operations and financial condition of acquisitions and dispositions;

- a need to recognize impairments on the Corporation's financial instruments, goodwill or other intangible assets relating to acquisitions;

- the risk that downgrades in the credit ratings of the Corporation's long-term senior debt will adversely affect the Corporation's ability to access necessary external funds;

- the impact on the Corporation's businesses, business practices and results of operations of a potential higher interest rate environment; and

- general competitive factors and industry consolidation.

The Corporation does not undertake, and specifically disclaims any obligation, to update any of the “forward-looking statements” to reflect occurrences or unanticipated events or circumstances after the date of such statements, except as required by the federal securities laws.

Investors should refer to the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2015, as well as “Part II, Item 1A, Risk Factors” in this quarterly report on Form 10-Q, for a discussion of such factors and certain risks and uncertainties to which the Corporation is subject.

FIRST BANCORP.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	March 31, 2016			December 31, 2015	
					(In thousands, except for share information)
ASSETS					
Cash and due from banks	$	813,732		$	532,985
Money market investments:					
Time deposits with other financial institutions		3,000			3,000
Other short-term investments		210,093			216,473
Total money market investments		213,093			219,473
Investment securities available for sale, at fair value:					
Securities pledged that can be repledged		793,303			793,562
Other investment securities		1,110,952			1,092,833
Total investment securities available for sale		1,904,255			1,886,395
Other equity securities		32,310			32,169
Loans, net of allowance for loan and lease losses of $238,125					
(2015 - $240,710)		8,893,217			9,033,155
Loans held for sale, at lower of cost or market		37,868			35,869
Total loans, net		8,931,085			9,069,024
Premises and equipment, net		159,151			161,016
Other real estate owned		142,888			146,801
Accrued interest receivable on loans and investments		44,891			48,697
Other assets		472,965			476,459
Total assets	$	12,714,370		$	12,573,019
LIABILITIES					
Non-interest-bearing deposits	$	1,422,346		$	1,336,559
Interest-bearing deposits		8,012,434			8,001,565
Total deposits		9,434,780			9,338,124
Securities sold under agreements to repurchase		700,000			700,000
Advances from the Federal Home Loan Bank (FHLB)		455,000			455,000
Other borrowings		216,183			226,492
Accounts payable and other liabilities		159,240			159,269
Total liabilities		10,965,203			10,878,885
STOCKHOLDERS' EQUITY					

Preferred stock, authorized, 50,000,000 shares:					
Non-cumulative Perpetual Monthly Income Preferred Stock:					
issued 22,004,000 shares, outstanding 1,444,146 shares, aggregate					
liquidation value of $36,104		36,104			36,104
Common stock, $0.10 par value, authorized, 2,000,000,000 shares;					
issued, 218,089,106 shares (2015 - 216,051,128 shares issued)		21,809			21,605
Less: Treasury stock (at par value)		(108)			(96)
Common stock outstanding, 217,011,555 shares outstanding (2015 - 215,088,698					
shares outstanding)		21,701			21,509
Additional paid-in capital		927,454			926,348
Retained earnings, includes legal surplus reserve of $42.8 million		761,266			737,922
Accumulated other comprehensive income (loss), net of tax of $7,752		2,642			(27,749)
Total stockholders' equity		1,749,167			1,694,134
Total liabilities and stockholders' equity	$	12,714,370		$	12,573,019
The accompanying notes are an integral part of these statements.					

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FIRST BANCORP.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Quarter Ended			
	March 31, 2016			March 31, 2015
(In thousands, except per share information)				
Interest and dividend income:				
Loans	$	137,033	$	139,344
Investment securities		12,725		12,604
Money market investments		1,073		537
Total interest income		150,831		152,485
Interest expense:				
Deposits		17,257		17,694
Securities sold under agreements to repurchase		5,476		6,393
Advances from FHLB		1,471		934
Other borrowings		1,979		1,817
Total interest expense		26,183		26,838
Net interest income		124,648		125,647
Provision for loan and lease losses		21,053		32,970
Net interest income after provision for loan and lease losses		103,595		92,677
Non-interest income:				
Service charges and fees on deposit accounts		5,800		4,555
Mortgage banking activities		4,753		3,618
Net gain on sale of investments		8		-
Other-than-temporary impairment (OTTI) losses on available-for-sale debt securities:				
Total other-than-temporary impairment losses		(1,845)		-
Portion of other-than-temporary impairment				
recognized in other comprehensive income (OCI)		(4,842)		(156)
Net impairment losses on available-for-sale debt securities		(6,687)		(156)
Gain on early extinguishment of debt		4,217		-
Insurance commission income		3,269		3,022
Bargain purchase gain		-		13,443
Other non-interest income		7,109		8,247
Total non-interest income		18,469		32,729
Non-interest expenses:				
Employees' compensation and benefits		38,435		35,654
Occupancy and equipment		14,183		14,349
Business promotion		4,003		2,868
Professional fees		10,776		15,218

Taxes, other than income taxes		3,792		3,001
Insurance and supervisory fees		7,343		6,860
Net loss on other real estate owned (OREO) and OREO operations		3,206		2,628
Credit and debit card processing expenses		3,282		3,957
Communications		1,808		1,608
Other non-interest expenses		6,169		5,585
Total non-interest expenses		92,997		91,728
Income before income taxes		29,067		33,678
Income tax expense		(5,723)		(8,032)
Net income	$	23,344	$	25,646
Net income attributable to common stockholders	$	23,344	$	25,646
Net income per common share:				
Basic	$	0.11	$	0.12
Diluted	$	0.11	$	0.12
Dividends declared per common share	$	-	$	-
The accompanying notes are an integral part of these statements.				

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FIRST BANCORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Quarter Ended			
		March 31, 2016		March 31, 2015
(In thousands)				
Net income	$	23,344	$	25,646
Available-for-sale debt securities on which an other-than-temporary				
impairment has been recognized:				
Unrealized (loss) gain on debt securities on which an				
other-than-temporary impairment has been recognized		(998)		689
Reclassification adjustment for other-than-temporary impairment				
on debt securities included in net income		6,687		156
All other unrealized gains and losses on available-for-sale securities:				
Reclassification adjustments for net gain included in net income		(8)		-
All other unrealized holding gains on available-for-sale securities arising during the period		24,710		6,295
Other comprehensive income for the period, net of tax		30,391		7,140
Total comprehensive income	$	53,735	$	32,786

The accompanying notes are an integral part of these statements.

FIRST BANCORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Quarter Ended			
	March 31, 2016		March 31, 2015	
(In thousands)				
Cash flows from operating activities:				
Net income	$	23,344	$	25,646
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		4,588		5,306
Amortization of intangible assets		1,214		1,093
Provision for loan and lease losses		21,053		32,970
Deferred income tax expense		3,635		2,060
Stock-based compensation		1,557		1,457
Gain on sales of investments		(8)		-
Bargain purchase gain		-		(13,443)
Gain on early extinguishment of debt		(4,217)		-
Other-than-temporary impairments on debt securities		6,687		156
Unrealized loss on derivative instruments		153		72
Gain on sales of premises and equipment and other assets		-		(194)
Net gain on sales of loans		(2,488)		(1,689)
Net amortization/accretion of premiums, discounts and deferred loan fees and costs		(2,343)		(673)
Originations and purchases of loans held for sale		(107,034)		(89,425)
Sales and repayments of loans held for sale		108,615		87,051
Amortization of broker placement fees		858		1,335
Net amortization/accretion of premium and discounts on investment securities		447		1,269
Decrease in accrued interest receivable		3,806		1,953
Increase in accrued interest payable		2,257		1,000
Decrease in other assets		3,320		8,562
(Decrease) increase in other liabilities		(11,167)		11,007
Net cash provided by operating activities		54,277		75,513
Cash flows from investing activities:				
Principal collected on loans		735,801		751,062
Loans originated and purchased		(627,105)		(705,621)
Proceeds from sales of loans held for investment		-		2,230
Proceeds from sales of repossessed assets		12,375		18,446
Proceeds from sales of available-for-sale securities		14,990		-

Purchases of securities available for sale		(62,770)			(56,429)
Proceeds from principal repayments and maturities of securities available for sale		62,418			53,596
Additions to premises and equipment		(3,006)			(3,027)
Purchases of other equity securities		(141)			(433)
Proceeds from sale of premises and equipment and other assets		-			2,492
Net cash received from acquisition		-			217,659
Purchase of insurance contracts		(1,067)			-
Net cash provided by investing activities		131,495			279,975
Cash flows from financing activities:					
Net increase (decrease) in deposits		95,879			(166,924)
Repurchase of outstanding common stock		(259)			(236)
Repayment of junior subordinated debentures		(7,025)			-
Net cash provided by (used in) financing activities		88,595			(167,160)
Net increase in cash and cash equivalents		274,367			188,328
Cash and cash equivalents at beginning of period		752,458			796,108
Cash and cash equivalents at end of period	$	1,026,825		$	984,436
Cash and cash equivalents include:					
Cash and due from banks	$	813,732		$	767,471
Money market instruments		213,093			216,965
	$	1,026,825		$	984,436
The accompanying notes are an integral part of these statements.					

FIRST BANCORP.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

	Quarter Ended				
	March 31, 2016			March 31, 2015	
(In thousands)					
Preferred Stock	$	36,104		$	36,104
Common Stock outstanding:					
Balance at beginning of period		21,509			21,298
Common stock issued as compensation		25			8
Common stock withheld for taxes		(12)			(5)
Restricted stock grants		179			83
Restricted stock forfeited		-			(1)
Balance at end of period		21,701			21,383
Additional Paid-In-Capital:					
Balance at beginning of period		926,348			916,067
Stock-based compensation		1,557			1,457
Common stock withheld for taxes		(247)			(231)
Restricted stock grants		(179)			(83)
Common stock issued as compensation		(25)			(8)
Restricted stock forfeited		-			1
Balance at end of period		927,454			917,203
Retained Earnings:					
Balance at beginning of period		737,922			716,625
Net income		23,344			25,646
Balance at end of period		761,266			742,271
Accumulated Other Comprehensive Income (Loss), net of tax:					
Balance at beginning of period		(27,749)			(18,351)
Other comprehensive income, net of tax		30,391			7,140
Balance at end of period		2,642			(11,211)
Total stockholders' equity	$	1,749,167		$	1,705,750
The accompanying notes are an integral part of these statements.					

FIRST BANCORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements (unaudited) of First BanCorp. (the "Corporation") have been prepared in conformity with the accounting policies stated in the Corporation's Audited Consolidated Financial Statements included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015. Certain information and note disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") have been condensed or omitted from these statements pursuant to the rules and regulations of the SEC and, accordingly, these financial statements should be read in conjunction with the Audited Consolidated Financial Statements of the Corporation for the year ended December 31, 2015, which are included in the Corporation's 2015 Annual Report on Form 10-K. All adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the statement of financial position, results of operations and cash flows for the interim periods have been reflected. All significant intercompany accounts and transactions have been eliminated in consolidation.

The results of operations for the quarter ended March 31, 2016 are not necessarily indicative of the results to be expected for the entire year.

Adoption of new accounting requirements and recently issued but not yet effective accounting requirements

The Financial Accounting Standards Board ("FASB") has issued the following accounting pronouncements and guidance relevant to the Corporation's operations:

In May 2014, the FASB updated the Accounting Standards Codification (the "Codification" or the "ASC") to create a new, principles-based revenue recognition framework. The Update is the culmination of efforts by the FASB and the International Accounting Standards Board to develop a common revenue standard for GAAP and International Financial Reporting Standards. The core principal of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance describes a 5-step process that entities

can apply to achieve the core principle of revenue recognition and requires disclosures sufficient to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers and the significant judgments used in determining that information. The new framework is effective for public business entities for annual periods beginning after December 15, 2017, including interim periods within those reporting periods, as a result of the FASB's recent amendment to the standard to defer the effective date by one year. Early adoption is permitted for interim periods beginning after December 15, 2016. The Corporation is currently evaluating the impact that the adoption of this guidance will have on the presentation and disclosures in its financial statements.

In June 2014, the FASB updated the Codification to provide guidance for determining compensation cost when an employee's compensation award is eligible to vest regardless of whether the employee is rendering service on the date the performance target is achieved. This Update is effective for annual and interim periods beginning after December 15, 2015. The adoption of this guidance did not have an impact on the Corporation's financial statements.

In August 2014, the FASB updated the Codification to provide guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. If conditions or events raise substantial doubt about an entity's ability to continue as a going concern, but the substantial doubt is alleviated as a result of consideration of management's plans, the entity should disclose information that enables users of the financial statements to understand such determination. The Update is effective for all business entities for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Corporation expects the adoption of this guidance will have no impact on the Corporation's financial position, results of operations, comprehensive income, cash flows and disclosures.

In November 2014, the FASB updated the Codification to clarify how current GAAP should be interpreted in evaluating the economic characteristics and risk of a host contract in a hybrid financial instrument that is issued in the form of a share. In addition, the Update was issued to clarify that, in evaluating the nature of a host contract, an entity should assess the substance of the relevant terms and features (that is, the relative strength of the debt-like or equity-like terms and features given the facts and circumstances) when considering how to weight those terms and features. The effects of initially adopting this Update should be applied on a modified retrospective basis to existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year for which the amendments are effective. Retrospective application is permitted to all relevant prior periods. This Update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this guidance did not have an impact on the Corporation's financial statements.

In January 2015, the FASB updated the Codification to eliminate from GAAP the concept of extraordinary items as part of its initiative to reduce complexity in accounting standards (the Simplification Initiative). Under current GAAP, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. In order to be classified as an extraordinary item, the event or transaction must be: (i) unusual in nature and (ii) infrequent in occurrence. Before the Update was issued, an entity was required to segregate these items from the results of ordinary operations and show the items separately in the income statement, net of tax, after income from continuing operations. This Update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this guidance did not have an impact on the Corporation's financial statements.

In February 2015, the FASB updated the Codification to eliminate the deferral of the requirements of Accounting Standards Update ("ASU") No. 2009-17 for certain interests in investment funds and provide a scope for exception for certain investments in money market funds. While the Update is aimed at asset managers, it will affect all reporting entities involved with limited partnerships or similar entities. In some cases, consolidation conclusions will change. In other cases, reporting entities will need to provide additional disclosure about entities that currently are not considered Variable Interest Entities ("VIEs") but will be considered VIEs under the new guidance when they have a variable interest in those VIEs. Regardless of whether conclusions change or additional disclosure requirements are triggered, reporting entities will need to re-evaluate limited partnerships and similar entities for consolidation and revise their documentation. For public business entities, the Update is effective for annual and interim periods beginning after December 15, 2015. A reporting entity must apply the amendments retrospectively. The adoption of this guidance did not have an impact on the Corporation's financial statements.

In April 2015, the FASB updated the Codification to clarify that customers should determine whether a cloud computing arrangement includes the license of software by applying the same guidance cloud service providers use to make this determination. Examples of cloud computing arrangements include software as a service, platform as a service, infrastructure as a service and other hosting arrangements. If a hosting arrangement includes a software license for internal use software, the software license should be accounted for by the customer under ASC 350-40. A license of software other than internal use software would be accounted for by the customer under other GAAP (e.g., a research and development cost and software to be sold, leased or otherwise marketed). A software license included in a hosting arrangement would be accounted for separately from any service contract in the arrangement. Hosting arrangements that do not include software licenses should be accounted for as service contracts. The Update also eliminates the existing requirement for customers to account for software licenses they acquire by analogizing to the guidance on leases. Instead, customers will account for software licenses that are in the scope of ASC 350-40 in the same manner as licenses of other intangible assets. Entities have the option of applying the guidance (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. Entities that elect prospective application are required to disclose the reason for the change in accounting principle, the transition method, and a description of the financial statement line items affected by the change. Entities that elect retrospective application must disclose the information required by ASC 250. For public business entities, the guidance is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The adoption of this guidance did not have an impact on the Corporation's financial statements.

In May 2015, the FASB updated the Codification to provide guidance on disclosures for investments in certain entities that calculate net asset value (NAV) per share (or its equivalent). This Update removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and modifies certain disclosure requirements. This guidance is effective for interim and annual reporting periods in fiscal years beginning after December 31, 2015, and requires retrospective adoption. The adoption of this pronouncement did not have an impact on the Corporation's financial statements.

In September 2015, the FASB updated the Codification to simplify the accounting for adjustments made to provisional amounts recognized in a business combination by eliminating the requirement to retrospectively account for those adjustments. This Update allows the acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The acquirer must record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. Also, this Update requires entities to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. Prior to this Update, GAAP required that, during the measurement period, the acquirer retrospectively adjust the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill. The acquirer also had to revise comparative information for prior periods presented in financial statements as needed, including revising depreciation, amortization, or other income effects as a result of changes made to provisional amounts. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in this Update should be applied prospectively to adjustments to provisional amounts that occur after the effective date of this Update with earlier application permitted for financial statements that have not been issued. The adoption of this guidance did not have an impact on the Corporation's financial statements.

In January 2016, the FASB updated the Codification to require an entity to: (i) measure equity investments at fair value through net income, with certain exceptions, (ii) present in other comprehensive income (“OCI”) the changes in instrument-specific credit risk for financial liabilities measured using the fair value option, (iii) present financial assets and financial liabilities by measurement category and form of financial asset, (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price, and (v) assess a valuation allowance on deferred tax assets related to unrealized losses of available-for-sale debt securities in combination with other deferred tax assets. The Update provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment, adjusted for certain observable price changes. The Update also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. For public companies, the Update is effective for fiscal years beginning after December 15, 2017. Early adoption is only permitted for the provision related to instrument-specific credit risk and the fair value disclosure exemption provided to nonpublic entities. The Corporation is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In February 2016, the FASB updated the Codification to provide guidance for the financial reporting about leasing transactions. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, the guidance will require both types of leases to be recognized on the balance sheet. The guidance will also require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative disclosures intended to provide additional information about the amounts recorded in the financial statements. The guidance on leases will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early application is permitted. The Corporation is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In March 2016, the FASB updated the Codification to simplify certain aspects of the accounting for share-based payment transactions. The main provisions in this Update include: (i) recognition of all tax benefits and tax deficiencies (including tax benefits of dividends on share-base payment awards) as income tax expense or benefit in the income statement, (ii) classification of the excess tax benefit along with other income tax cash flows as an operating activity, (iii) an entity-wide accounting policy election to either estimate the number of awards that are expected to vest (current GAAP) or account for forfeitures when they occur, (iv) a threshold to qualify for equity classification which permits withholding up to the maximum statutory tax rates in the applicable jurisdictions, (v) classification of cash paid by an employer as a financing activity when the payment results from the withholding of shares for tax withholding purposes. In addition to those simplifications, the amendments eliminate the guidance in ASC 718 that was indefinitely deferred shortly after the issuance of FASB Statement No. 123 (revised 2004), Share-Based Payment. This should not result in a change in practice because the guidance that is being superseded was never effective. For public business entities, the amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Corporation is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In March 2016, the FASB updated the Codification to require an equity method investor to add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. Also, this Update requires that an entity that has an available-for sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. The Corporation is currently evaluating the impact of the adoption of this guidance, if any, on its consolidated financial statements.

NOTE 2 – EARNINGS PER COMMON SHARE

The calculations of earnings per common share for the quarters ended on March 31, 2016 and 2015 are as follows:

	Quarter Ended			
	March 31, 2016		**March 31, 2015**	
(In thousands, except per share information)				
Net income	$	23,344	$	25,646
Net income attributable to common stockholders	$	23,344	$	25,646
Weighted-Average Shares:				
Average common shares outstanding		212,348		210,686
Average potential dilutive common shares		926		2,060
Average common shares outstanding-assuming dilution		213,274		212,746
Earnings per common share:				
Basic	$	0.11	$	0.12
Diluted	$	0.11	$	0.12

Earnings per common share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares issued and outstanding. Net income attributable to common stockholders represents net income adjusted for any preferred stock dividends, including any dividends declared, and any cumulative dividends related to the current dividend period that have not been declared as of the end of the period.

Potential common shares consist of common stock issuable under the assumed exercise of stock options, unvested shares of restricted stock, and outstanding warrants using the treasury stock method. This method assumes that the potential common shares are issued and the proceeds from the exercise, in addition to the amount of compensation cost attributable to future services, are used to purchase common stock at the exercise date. The difference between the numbers of potential shares issued and the shares purchased is added as incremental shares to the actual number of shares outstanding to compute diluted earnings per share. Stock options, unvested shares of restricted stock, and outstanding warrants that result in lower potential shares issued than shares purchased under the treasury stock method are not included in the computation of dilutive earnings per share since their inclusion would have an antidilutive effect on earnings per share. Stock options not included in the computation of outstanding shares because they were antidilutive amounted to 39,855 and 69,848 for the quarters ended March 31, 2016 and 2015, respectively.

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NOTE 3 – STOCK-BASED COMPENSATION

As of January 21, 2007, the Corporation's 1997 stock option plan expired and no additional awards could be granted under that plan. All outstanding awards granted under this plan have continued in full force and effect since then, subject to their original terms. No awards of shares could be granted under the 1999 stock option plan as of its expiration.

The activity of stock options granted under the 1997 stock option plan for the quarter ended March 31, 2016 is set forth below:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Beginning of period outstanding				
and exercisable	69,848	$ 160.30		
Options expired	(29,993)	190.07		
End of period outstanding and				
exercisable	39,855	$ 137.89	0.8	$ -

On April 29, 2008, the Corporation's stockholders approved the First BanCorp. 2008 Omnibus Incentive Plan (the "Omnibus Plan"). The Omnibus Plan provides for equity-based compensation incentives (the "awards") through the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, and other stock-based awards. The Omnibus Plan authorizes the issuance of up to 8,169,807 shares of common stock, subject to adjustments for stock splits, reorganizations, and other similar events. The Corporation's Board of Directors, upon receiving the relevant recommendation of the Compensation Committee, has the power and authority to determine those eligible to receive awards and to establish the terms and conditions of any awards, subject to various limits and vesting restrictions that apply to individual and aggregate awards.

Under the Omnibus Plan, during the first quarter of 2016, the Corporation awarded 1,785,137 shares of restricted stock to employees subject to a vesting period of two years. Included in those 1,785,137 shares of restricted stock are 1,546,137 shares granted to certain senior officers consistent with the requirements of the Troubled Asset Relief Program ("TARP") Interim Final Rule, which permit TARP recipients to grant "long-term restricted stock" without violating the prohibition on paying or accruing a bonus payment provided that: (i) the value of the grant may not exceed one-third of the amount of the employee's annual compensation, (ii) no portion of the grant may vest before two years after the grant date, and (iii) the grant must be subject to a further restriction on transfer or payment as

described below. Specifically, the stock that has otherwise vested may not become transferable at any time earlier than as permitted under the schedule set forth by TARP, which is based on the repayment in 25% increments of the aggregate financial assistance received from the U.S. Treasury. Hence, notwithstanding the vesting period mentioned above, the senior officers covered by TARP are restricted from transferring the shares. The U.S. Treasury confirmed that, effective March 2014, it has recovered more than a 25% of its investment in First BanCorp. Therefore, the restriction on transfer relating to 25% of the shares granted under TARP requirements was released.

The fair value of the shares of restricted stock granted in the first quarter of 2016 was based on the market price of the Corporation's outstanding common stock on the date of the grant. For the 1,546,137 shares of restricted stock granted under the TARP requirements, the market price was discounted due to TARP transferability restrictions. For purposes of determining the awards' fair value, the Corporation estimated an appreciation of 14% in the value of the common stock using the Capital Asset Pricing Model as a basis of what would be a market participant's expected return on the Corporation's stock and assumed that the U.S. Treasury would hold the common stock of the Corporation that it currently owns for a period not to exceed two years, resulting in a fair value of $1.43 for restricted shares granted under the TARP requirements. Also, the Corporation used empirical data to estimate employee terminations; separate groups of employees that have similar historical exercise behavior were considered separately for valuation purposes.

The following table summarizes the restricted stock activity in the first quarter of 2016 under the Omnibus Plan for both executive officers covered by the TARP requirements and other employees as well as for the independent directors:

	Quarter Ended March 31, 2016			
	Number of shares of restricted stock			**Weighted-Average Grant Date Fair Value**
Non-vested shares at beginning of period	2,968,461		$	3.34
Granted	1,785,137			1.62
Vested	(377,747)			3.35
Non-vested shares at March 31, 2016	4,375,851		$	2.64

For the quarters ended March 31, 2016 and 2015, the Corporation recognized $0.9 million and $1.0 million, respectively, of stock-based compensation expense related to restricted stock awards. As of March 31, 2016, there was $5.9 million of total unrecognized compensation cost related to non-vested shares of restricted stock. The weighted average period over which the Corporation expects to recognize such cost is 1.8 years.

During the first quarter of 2015, 30,068 shares of restricted stock were awarded to one of the Corporation's independent directors subject to vesting periods that range from 1 to 5 years. In addition, in the first quarter of 2015, the Corporation issued 791,464 shares of restricted stock subject to vesting periods that range from 3 months to 3 years. Included in those 791,464 shares of restricted stock are 615,464 shares granted to certain senior officers consistent with the requirements of TARP. The employees covered by TARP are restricted from transferring the shares, subject to certain conditions as explained above.

The fair value of the shares of restricted stock granted in the first quarter of 2015 was based on the market price of the Corporation's outstanding common stock on the date of the grant. For the 615,464 shares of restricted stock granted under the TARP requirements, the market price was discounted due to the post-vesting restrictions. For purposes of computing the discount, the Corporation estimated an appreciation of 14% in the value of the common stock using the Capital Asset Pricing Model as a basis of what would be a market participant's expected return on the Corporation's stock and assumed that the U.S. Treasury would hold the common stock of the Corporation that it owned as of the date of the grants for a period not to exceed one year, resulting in a fair value of $3.18 for restricted shares granted under the TARP requirements.

Stock-based compensation accounting guidance requires the Corporation to reverse compensation expense for any awards that are forfeited due to employee or director turnover. Approximately $26 thousand of compensation expense

was reversed during the first quarter of 2015, related to forfeited awards. No forfeitures occurred during the first quarter of 2016.

Also, under the Omnibus Plan, effective April 1, 2013, the Corporation's Board of Directors determined to increase the salary amounts paid to certain executive officers primarily by paying the increased salary amounts in the form of shares of the Corporation's common stock, instead of cash. During the first quarter of 2016, the Corporation issued 252,841 shares of common stock (first quarter of 2015 – 80,234 shares) with a weighted average market value of $2.70 (first quarter of 2015 - $6.02) as salary stock compensation. This resulted in a compensation expense of $0.7million recorded in the first quarter of 2016 (first quarter of 2015 - $0.4 million).

For the quarter ended March 31, 2016, the Corporation withheld 79,954 shares (first quarter of 2015 – 28,183 shares) from the common stock paid to certain senior officers as additional compensation and 35,167 shares of the restricted stock that vested during the first quarter of 2016 (first quarter of 2015 – 22,525 shares) to cover employees' payroll and income tax withholding liabilities; these shares are held as treasury shares. The Corporation paid any fractional share of salary stock that the officer was entitled to in cash. In the consolidated financial statements, the Corporation treats shares withheld for tax purposes as common stock repurchases.

NOTE 4 – INVESTMENT SECURITIES

Investment Securities Available for Sale

The amortized cost, non-credit loss component of other-than-temporary impairment ("OTTI") recorded in other comprehensive income ("OCI"), gross unrealized gains and losses recorded in OCI, approximate fair value, and weighted average yield of investment securities available for sale by contractual maturities as of March 31, 2016 and December 31, 2015 were as follows:

	March 31, 2016					
		Noncredit Loss Component of OTTI Recorded in OCI	Gross Unrealized			
	Amortized cost		gains	losses	Fair value	Weighted average yield%
(Dollars in thousands)						
U.S. Treasury securities:						
After 1 to 5 years	$ 7,525	$ -	$ -	$ 7	$ 7,518	0.57
Obligations of U.S. government-sponsored agencies:						
Due within one year	14,626	-	10	-	14,636	0.68
After 1 to 5 years	385,103	-	2,148	-	387,251	1.32
After 5 to 10 years	51,089	-	1,131	-	52,220	2.42
After 10 years	13,930	-	14	20	13,924	0.84
Puerto Rico Government obligations:						
	21,423	11,501	-	-	9,922	4.38

After 1 to 5 years						
After 5 to 10 years	855	-	1	-	856	5.20
After 10 years	21,141	3,962	147	1,656	15,670	5.38
United States and Puerto						
Rico Government						
obligations	515,692	15,463	3,451	1,683	501,997	1.69
Mortgage-backed securities:						
FHLMC certificates:						
After 5 to 10 years	321	-	31	-	352	4.95
After 10 years	277,487	-	4,063	5	281,545	2.15
	277,808	-	4,094	5	281,897	2.15
GNMA certificates:						
Due within one year	1	-	-	-	1	1.78
After 1 to 5 years	100	-	4	-	104	4.29
After 5 to 10 years	112,732	-	2,839	-	115,571	3.07
After 10 years	157,658	-	13,095	6	170,747	4.38
	270,491	-	15,938	6	286,423	3.83
FNMA certificates:						
After 1 to 5 years	30,223	-	63	21	30,265	1.50
After 5 to 10 years	21,429	-	835	-	22,264	2.73
After 10 years	744,660	-	11,641	-	756,301	2.35
	796,312	-	12,539	21	808,830	2.33
Other mortgage pass-through						
trust certificates:						
After 5 to 10 years	89	-	-	-	89	7.26

	After 10 years		32,962		8,457		-		-		24,505	2.34
			33,051		8,457		-		-		24,594	2.34
Total mortgage-backed												
securities			1,377,662		8,457		32,571		32		1,401,744	2.59
Other												
	After 1 to 5 years		100		-		-		-		100	1.50
Equity securities [1]			408		-		6		-		414	-
Total investment securities												
	available for sale	$	1,893,862	$	23,920	$	36,028	$	1,715	$	1,904,255	2.34

(1) Equity securities consisted of investment in a Community Reinvestment Act Qualified Investment Fund.

	December 31, 2015					
		Noncredit Loss Component of OTTI Recorded in OCI	Gross Unrealized			
	Amortized cost		gains	losses	Fair value	Weighted average yield%
(Dollars in thousands)						
U.S. Treasury securities:						
After 1 to 5 years	$ 7,530	$ -	$ -	$ 33	$ 7,497	0.57
Obligations of U.S. government-sponsored agencies:						
Due within one year	14,624	-	4	10	14,618	0.68
After 1 to 5 years	384,323	-	174	4,305	380,192	1.32
After 5 to 10 years	58,150	-	343	242	58,251	2.34
Puerto Rico Government obligations:						
After 1 to 5 years	25,663	14,662	-	-	11,001	4.38
After 5 to 10 years	855	-	-	-	855	5.20
After 10 years	23,162	5,255	134	1,680	16,361	5.40
United States and Puerto Rico Government obligations	514,307	19,917	655	6,270	488,775	1.75
Mortgage-backed securities:						
FHLMC certificates:						

After 5 to 10 years	336	-	31	-	367	4.95
After 10 years	287,711	-	1,073	1,706	287,078	2.14
	288,047	-	1,104	1,706	287,445	2.15
GNMA certificates:						
Due within one year	2	-	-	-	2	1.70
After 1 to 5 years	109	-	5	-	114	4.26
After 5 to 10 years	120,298	-	3,182	-	123,480	3.07
After 10 years	165,175	-	12,822	20	177,977	4.38
	285,584	-	16,009	20	301,573	3.83
FNMA certificates:						
After 1 to 5 years	2,552	-	74	-	2,626	3.32
After 5 to 10 years	21,557	-	433	233	21,757	2.73
After 10 years	759,247	-	5,628	6,063	758,812	2.34
	783,356	-	6,135	6,296	783,195	2.35
Other mortgage pass-through						
trust certificates:						
After 5 to 10 years	92	-	1	-	93	7.26
After 10 years	34,905	9,691	-	-	25,214	2.26
	34,997	9,691	1	-	25,307	2.26
Total mortgage-backed						
securities	1,391,984	9,691	23,249	8,022	1,397,520	2.61
Other						
After 1 to 5 years	100	-	-	-	100	1.50
Total investment securities						
available for sale	$ 1,906,391	$ 29,608	$ 23,904	$ 14,292	$ 1,886,395	2.38

Adoption of new accounting requirements and recently issued but not yet effective accounting requirements

Maturities of mortgage-backed securities are based on contractual terms assuming no prepayments. Expected maturities of investments might differ from contractual maturities because they may be subject to prepayments and/or call options. The weighted average yield on investment securities available for sale is based on amortized cost and, therefore, does not give effect to changes in fair value. The net unrealized gain or loss on securities available for sale and the non-credit loss component of OTTI are presented as part of OCI.

The following tables show the Corporation's available-for-sale investments' fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of March 31, 2016 and December 31, 2015. The tables also include debt securities for which an OTTI was recognized and only the amount related to a credit loss was recognized in earnings. Unrealized losses for which OTTI was recognized, the related credit loss was charged against the amortized cost basis of the debt security.

	As of March 31, 2016					
	Less than 12 months		**12 months or more**		**Total**	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
	(In thousands)					
Debt securities:						
Puerto Rico Government obligations	$ -	$ -	$ 21,243	$ 17,119	$ 21,243	$ 17,119
U.S. Treasury and U.S. government agencies						
obligations	17,764	27	-	-	17,764	27
Mortgage-backed securities:						
FNMA	28,015	21	-	-	28,015	21
FHLMC	-	-	922	5	922	5
GNMA	-	-	1,055	6	1,055	6
Other mortgage pass-through						
trust certificates	-	-	24,505	8,457	24,505	8,457
Equity securities	1	-	-	-	1	-
	$ 45,780	$ 48	$ 47,725	$ 25,587	$ 93,505	$ 25,635

	As of December 31, 2015					
	Less than 12 months		**12 months or more**		**Total**	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
	(In thousands)					
Debt securities:						

Puerto Rico Government obligations	$ -	$ -	$ 23,008	$ 21,597	$ 23,008	$ 21,597
U.S. Treasury and U.S. government agencies						
obligations	198,243	929	210,504	3,661	408,747	4,590
Mortgage-backed securities:						
FNMA	437,305	4,516	88,013	1,780	525,318	6,296
FHLMC	141,890	1,338	19,306	368	161,196	1,706
GNMA	1,047	20	-	-	1,047	20
Other mortgage pass-through						
trust certificates	-	-	25,214	9,691	25,214	9,691
	$ 778,485	$ 6,803	$ 366,045	$ 37,097	$ 1,144,530	$ 43,900

Assessment for OTTI

Debt securities issued by U.S. government agencies, U.S. government-sponsored entities and the U.S. Treasury accounted for approximately 97% of the total available-for-sale portfolio as of March 31, 2016 and no credit losses are expected, given the explicit and implicit guarantees provided by the U.S. federal government. The Corporation's OTTI assessment was concentrated mainly on Puerto Rico Government debt securities, with an amortized cost of $43.4 million, and on private label mortgage-backed securities ("MBS") with an amortized cost of $33.0 million for which credit losses are evaluated on a quarterly basis. The Corporation considered the following factors in determining whether a credit loss exists and the period over which the debt security is expected to recover:

- The length of time and the extent to which the fair value has been less than the amortized cost basis;

- Any adverse change to the credit conditions and liquidity of the issuer, taking into consideration the latest information available about the financial condition of the issuer, credit ratings, the failure of the issuer to make scheduled principal or interest payments, recent legislation and government actions affecting the issuer's industry and actions taken by the issuer to deal with the present economic climate;

- Changes in the near term prospects of the underlying collateral of a security, if any, such as changes in default rates, loss severity given default, and significant changes in prepayment assumptions; and

- The level of cash flows generated from the underlying collateral, if any, supporting the principal and interest payments of the debt securities.

The Corporation recorded OTTI losses on available-for-sale debt securities as follows:

	Quarter ended March 31,					
	2016			**2015**		
(In thousands)						
Total other-than-temporary impairment losses	$	(1,845)		$	-	
Portion of other-than-temporary impairment recognized in OCI		(4,842)			(156)	
Net impairment losses recognized in earnings [1][2]	$	(6,687)		$	(156)	

(1) For the quarter ended March 31, 2016, approximately $6.3 million of the credit impairment recognized in earnings consisted of credit losses on Puerto Rico Government debt securities and $0.4 million was associated with credit losses on private label MBS.

(2) The $0.2 million credit impairment recognized in earnings in the first quarter of 2015 was associated with private label MBS.

The following tables summarize the roll-forward of credit losses on debt securities held by the Corporation for which a portion of an OTTI is recognized in OCI:

	Cumulative OTTI credit losses recognized in earnings on securities still held					
	December 31, 2015 Balance		Credit impairments recognized in earnings on securities that have been previously impaired		March 31, 2016 Balance	
(In thousands)						
Available-for-sale securities						
Puerto Rico Government obligations	$	15,889	$	6,300	$	22,189
Private label MBS		6,405		387		6,792
Total OTTI credit losses for available-for-sale debt securities	$	22,294	$	6,687	$	28,981

	Cumulative OTTI credit losses recognized in earnings on securities still held					
	December 31, 2014 Balance		Credit impairments recognized in earnings on securities that have been previously impaired		March 31, 2015 Balance	
(In thousands)						
Available for sale securities						
Private label MBS	$	5,777	$	156	$	5,933

Adoption of new accounting requirements and recently issued but not yet effective accounting requirements

During the first quarter of 2016, the Corporation recorded a $6.3 million OTTI charge on three Puerto Rico Government debt securities held by the Corporation as part of its available-for-sale securities portfolio, specifically bonds of the GDB and the Puerto Rico Public Buildings Authority. This is the third OTTI charge on these securities recorded since June 30, 2015, as OTTI charges of $12.9 million and $3.0 million were booked in the second and fourth quarters of 2015, respectively.

During the first quarter of 2016, in consideration of the latest available information about the Puerto Rico Government's financial condition, including the enactment of a debt moratorium law and the declaration of a state of emergency at the GDB as well as issuance of exchange proposals with the Commonwealth's creditors related to its outstanding bond obligations, the Corporation applied a discounted cash flow analysis to its Puerto Rico Government debt securities in order to calculate the cash flows expected to be collected and to determine if any portion of the decline in market value of these securities was considered a credit-related other-than-temporary impairment. The analysis derives an estimate of value based on the present value of risk-adjusted cash flows of the underlying securities and included the following components:

- The contractual future cash flows of the bonds are projected based on the key terms as set forth in the official statements for each security. Such key terms include, among others, the interest rate, amortization schedule, if any, and maturity date.
- The risk-adjusted cash flows are calculated based on a probability of default analysis and recovery rate assumptions, including the weighting of different scenarios of ultimate recovery, considering the credit rating of each security. Constant monthly default rates are assumed throughout the life of the bonds, which considers the respective security's credit rating as of the date of the analysis.
- The adjusted future cash flows are then discounted at the original effective yield of each investment based on the purchase price and expected risk-adjusted future cash flows as of the purchase date of each investment.

The discounted risk-adjusted cash flow analysis for the three Puerto Rico Government bonds mentioned above assumed a default probability of 100%, thus reflecting that it is more likely than not that these three bonds will default during their remaining terms. Based on this analysis, the Corporation determined that it is unlikely to receive all the remaining contractual interest and principal amounts when due on these bonds and recorded, in the first quarter of 2016, other-than-temporary credit-related impairment charges amounting to $6.3 million, assuming recovery rates ranging from 35% to 80% (weighted average of 61%).

The Corporation does not have the intention to sell these securities and has sufficient capital and liquidity to hold these securities until a recovery of the fair value occurs; as such, only the credit loss component was reflected in earnings. Given the significant and prolonged uncertainty of a debt restructuring process, the Corporation cannot be certain that future impairment charges will not be required against these securities.

Adoption of new accounting requirements and recently issued but not yet effective accounting requirements

In addition, during the first quarter of 2016, the Corporation recorded a $0.4 million credit-related impairment loss associated with private label MBS, which are collateralized by fixed-rate mortgages on single-family residential properties in the United States. The interest rates on these private-label MBS is variable, tied to 3-month LIBOR and limited to the weighted-average coupon of the underlying collateral. The underlying mortgages are fixed-rate, single-family loans with original high FICO scores (over 700) and moderate original loan-to-value ratios (under 80%), as well as moderate delinquency levels.

Based on the expected cash flows derived from the model, and since the Corporation does not have the intention to sell the securities and has sufficient capital and liquidity to hold these securities until a recovery of the fair value occurs, only the credit loss component was reflected in earnings. Significant assumptions in the valuation of the private label MBS were as follows:

	March 31, 2016				**December 31, 2015**		
	Weighted				**Weighted**		
	Average		**Range**		**Average**		**Range**
Discount rate	14.5%		14.5%		14.5%		14.5%
Prepayment rate	30%		21.45% - 100.00%		28%		15.92% - 100.00%
Projected Cumulative Loss Rate	7%		0.50% - 80.00%		7%		0.18% - 80.00%

NOTE 5 – OTHER EQUITY SECURITIES

Institutions that are members of the FHLB system are required to maintain a minimum investment in FHLB stock. Such minimum investment is calculated as a percentage of aggregate outstanding mortgages, and an additional investment is required that is calculated as a percentage of total FHLB advances, letters of credit, and the collateralized portion of interest-rate swaps outstanding. The stock is capital stock issued at $100 par value. Both stock and cash dividends may be received on FHLB stock.

As of March 31, 2016 and December 31, 2015, the Corporation had investments in FHLB stock with a book value of $31.3 million. The net realizable value is a reasonable proxy for the fair value of these instruments. Dividend income from FHLB stock for each of the quarters ended March 31, 2016 and 2015 was $0.3 million.

The shares of FHLB stock owned by the Corporation were issued by the FHLB of New York. The FHLB of New York is part of the Federal Home Loan Bank System, a national wholesale banking network of 12 regional, stockholder-owned congressionally chartered banks. The Federal Home Loan Banks are all privately capitalized and operated by their member stockholders. The system is supervised by the Federal Housing Finance Agency, which ensures that the Federal Home Loan Banks operate in a financially safe and sound manner, remain adequately capitalized and able to raise funds in the capital markets, and carry out their housing finance mission.

The Corporation has other equity securities that do not have a readily available fair value. The carrying value of such securities as of March 31, 2016 and December 31, 2015 was $1.0 million and $0.9 million, respectively.

NOTE 6 – LOANS HELD FOR INVESTMENT

The following provides information about the loan portfolio held for investment:

		As of March 31, 2016			As of December 31, 2015
(In thousands)					
Residential mortgage loans, mainly secured by first mortgages	$	3,330,945		$	3,344,719
Commercial loans:					
Construction loans		146,129			156,195
Commercial mortgage loans		1,524,491			1,537,806
Commercial and Industrial loans (1)		2,343,416			2,407,996
Total Commercial loans		4,014,036			4,101,997
Finance leases		230,801			229,165
Consumer loans		1,555,560			1,597,984

Loans held for investment		9,131,342		9,273,865
Allowance for loan and lease losses		(238,125)		(240,710)
Loans held for investment, net	$	8,893,217	$	9,033,155

(1) As of March 31, 2016 and December 31, 2015, includes $1.0 billion of commercial loans that are secured by real estate but are not dependent upon the real estate for repayment.

Loans held for investment on which accrual of interest income had been discontinued as of the indicated dates were as follows:

(In thousands)	As of March 31, 2016		As of December 31, 2015	
Non-performing loans:				
Residential mortgage	$	172,890	$	169,001
Commercial mortgage		182,763		51,333
Commercial and Industrial		137,896		137,051
Construction:				
Land		12,082		12,174
Construction-commercial		39,037		39,466
Construction-residential		2,917		2,996
Consumer:				
Auto loans		15,038		17,435
Finance leases		2,136		2,459
Other consumer loans		10,177		10,858
Total non-performing loans held for investment (1)(2)(3)	$	574,936	$	442,773

(1) As of March 31, 2016 and December 31, 2015, excludes $8.1 million of non-performing loans held for sale.

(2) Amount excludes purchased-credit impaired ("PCI") loans with a carrying value of approximately $172.3 million and $173.9 million as of March 31, 2016 and December 31, 2015, respectively, primarily mortgage loans acquired from Doral Bank in the first quarter of 2015 and from Doral Financial in the second quarter of 2014, as further discussed below. These loans are not considered non-performing due to the application of the accretion method, under which these loans will accrete interest income over the remaining life of the loans using an estimated cash flow analysis.

(3) Non-performing loans exclude $413.4 million and $414.9 million of Troubled Debt Restructuring ("TDR") loans that are in compliance with the modified terms and in accrual status as of March 31, 2016 and December 31, 2015, respectively.

Loans in Process of Foreclosure

As of March 31, 2016, the recorded investment of residential mortgage loans collateralized by residential real estate property that are in the process of foreclosure amounted to $153.5 million. The Corporation commences the foreclosure process on residential real estate loans when a borrower becomes 120 days delinquent in accordance with the guidelines of the Consumer Financial Protection Bureau (CFPB). Foreclosure procedures and timelines vary depending on whether the property is located in a judicial or non-judicial state. Judicial states (Puerto Rico) require the foreclosure to be processed through the state's court while foreclosures in non-judicial states are processed without court intervention. Foreclosure timelines vary according to state law and Investor Guidelines. Occasionally foreclosures may be delayed due to mandatory mediations, bankruptcy, court delays and title issues, among other reasons.

The Corporation's aging of the loans held for investment portfolio is as follows:

As of March 31, 2016								
(In thousands)	**30-59 Days Past Due**	**60-89 Days Past Due**	**90 days or more Past Due (1)**	**Total Past Due**	**Purchased Credit-Impaired Loans**	**Current**	**Total loans held for investment**	**90 days past due and still accruing (2)**
Residential mortgage:								
FHA/VA and other government-guaranteed loans (2)(3)(4)	$ -	$ 5,338	$ 84,217	$ 89,555	$ -	$ 47,149	$ 136,704	$ 84,217
Other residential mortgage loans (4)	-	94,576	189,615	284,191	169,190	2,740,860	3,194,241	16,725
Commercial:								
Commercial and Industrial loans	12,079	6,943	144,311	163,333	-	2,180,083	2,343,416	6,415

Commercial mortgage loans (4)	-	10,408	211,576	221,984	3,142	1,299,365	1,524,491	28,813
Construction:								
Land (4)	-	241	12,533	12,774	-	34,051	46,825	451
Construction-commercial	-	-	54,460	54,460	-	26,754	81,214	15,423
Construction-residential (4)	-	-	5,948	5,948	-	12,142	18,090	3,031
Consumer:								
Auto loans	61,558	13,489	15,038	90,085	-	814,249	904,334	-
Finance leases	8,993	2,116	2,136	13,245	-	217,556	230,801	-
Other consumer loans	10,287	6,044	14,059	30,390	-	620,836	651,226	3,882
Total loans held for investment	$ 92,917	$ 139,155	$ 733,893	$ 965,965	$ 172,332	$ 7,993,045	$ 9,131,342	$ 158,957

(1) Includes non-performing loans and accruing loans that are contractually delinquent 90 days or more (i.e., FHA/VA guaranteed loans and credit cards). Credit card loans continue to accrue finance charges fees until charged-off at 180 days.

(2) It is the Corporation's policy to report delinquent residential mortgage loans insured by the FHA or guaranteed by the VA as past-due loans 90 days and still accruing as opposed to non-performing loans since the principal repayment is insured. These balances include $34.9 million of residential mortgage loans insured by the FHA or guaranteed by the VA which are over 15 months delinquent, and are no longer accruing interest as of March 31, 2016.

(3) As of March 31, 2016, includes $40.0 million of defaulted loans collateralizing Government National Mortgage Association ("GNMA") securities for which the Corporation has an unconditional option (but not an obligation) to repurchase the defaulted loans.

(4) According to the Corporation's delinquency policy and consistent with the instructions for the preparation of the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) required by the Federal Reserve Board, residential mortgage, commercial mortgage, and construction loans are considered past due when the borrower is in arrears two or more monthly payments. FHA/VA government-guaranteed loans, other residential mortgage loans, commercial mortgage loans, land loans, construction-commercial and construction-residential

	loans past due 30-59 days as of March 31, 2016 amounted to $10.0 million, $155.9 million, $74.8 million, $0.5 million, $5.2 million and $0.7 million, respectively.

As of December 31, 2015								
(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 days or more Past Due (1)	Total Past Due	Purchased Credit-Impaired Loans	Current	Total loans held for investment	90 days past due and still accruing (2)
Residential mortgage:								
FHA/VA and other government-guaranteed loans (2)(3)(4)	$ -	$ 6,048	$ 90,168	$ 96,216	$ -	$ 46,925	$ 143,141	$ 90,168
Other residential mortgage loans (4)	-	90,406	185,018	275,424	170,766	2,755,388	3,201,578	16,017
Commercial:								
Commercial and Industrial loans	5,577	6,412	150,893	162,882	-	2,245,114	2,407,996	13,842
Commercial mortgage loans (4)	-	24,729	63,805	88,534	3,147	1,446,125	1,537,806	12,472
Construction:								
Land (4)	-	161	12,350	12,511	-	39,363	51,874	176
Construction-commercial	-	11,722	39,466	51,188	-	32,142	83,330	-
Construction-residential (4)	-	-	6,042	6,042	-	14,949	20,991	3,046

Consumer:																
Auto loans		70,836		16,787		17,435		105,058		-		829,922		934,980		-
Finance leases		7,664		3,100		2,459		13,223		-		215,942		229,165		-
Other consumer loans		9,462		5,524		15,124		30,110		-		632,894		663,004		4,266
Total loans held for investment	$	93,539	$	164,889	$	582,760	$	841,188	$	173,913	$	8,258,764	$	9,273,865	$	139,987

(1) Includes non-performing loans and accruing loans that are contractually delinquent 90 days or more (i.e. FHA/VA guaranteed loans and credit cards). Credit card loans continue to accrue finance charges and fees until charged-off at 180 days.

(2) It is the Corporation's policy to report delinquent residential mortgage loans insured by the FHA or guaranteed by the VA as past-due loans 90 days and still accruing as opposed to non-performing loans since the principal repayment is insured. These balances include $37.3 million of residential mortgage loans insured by the FHA or guaranteed by the VA which are over 15 months delinquent, and are no longer accruing interest as of December 31, 2015.

(3) As of December 31, 2015, includes $38.5 million of defaulted loans collateralizing GNMA securities for which the Corporation has an unconditional option (but not an obligation) to repurchase the defaulted loans.

(4) According to the Corporation's delinquency policy and consistent with the instructions for the preparation of the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) required by the Federal Reserve Board, residential mortgage, commercial mortgage, and construction loans are considered past due when the borrower is in arrears two or more monthly payments. FHA/VA government guaranteed loans, other residential mortgage loans, commercial mortgage loans, land loans and construction-residential loans past due 30-59 days as of December 31, 2015 amounted to $11.0 million, $162.9 million, $38.6 million, $5.7 million and $0.8 million, respectively.

The Corporation's credit quality indicators by loan type as of March 31, 2016 and December 31, 2015 are summarized below:

	Commercial Credit Exposure-Credit Risk Profile Based on Creditworthiness Category:				
March 31, 2016	**Substandard**	**Doubtful**	**Loss**	**Total Adversely Classified (1)**	**Total Portfolio**
(In thousands)					
Commercial mortgage	$ 213,990	$ 37,673	$ -	$ 251,663	$ 1,524,491
Construction:					
Land	13,803	-	-	13,803	46,825
Construction-commercial	39,037	-	-	39,037	81,214
Construction-residential	5,949	-	-	5,949	18,090
Commercial and Industrial	186,580	71,706	395	258,681	2,343,416

	Commercial Credit Exposure-Credit Risk Profile Based on Creditworthiness Category:				
December 31, 2015	**Substandard**	**Doubtful**	**Loss**	**Total Adversely Classified (1)**	**Total Portfolio**
(In thousands)					
Commercial mortgage	$ 252,941	$ 140	$ -	$ 253,081	$ 1,537,806
Construction:					
Land	14,035	1	-	14,036	51,874
Construction-commercial	39,466	-	-	39,466	83,330
Construction-residential	2,996	-	-	2,996	20,991
Commercial and Industrial	140,827	71,341	354	212,522	2,407,996

(1) Excludes $8.1 million as of March 31, 2016 and December 31, 2015, of construction-land non-performing loans held for sale.

The Corporation considers a loan as adversely classified if its risk rating is Substandard, Doubtful or Loss. These categories are defined as follows:

Substandard- A Substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful- Doubtful classifications have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. A Doubtful classification may be appropriate in cases where significant risk exposures are perceived, but loss cannot be determined because of specific reasonable pending factors, which may strengthen the credit in the near term.

Loss- Assets classified Loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. There is little or no prospect for near term improvement and no realistic strengthening action of significance pending.

March 31, 2016	**Consumer Credit Exposure-Credit Risk Profile Based on Payment Activity**				
	Residential Real-Estate		**Consumer**		
	FHA/VA/ Guaranteed (1)	**Other residential loans**	**Auto**	**Finance Leases**	**Other Consumer**
(In thousands)					
Performing	$ 136,704	$ 2,852,161	$ 889,296	$ 228,665	$ 641,049
Purchased Credit-Impaired (2)	-	169,190	-	-	-
Non-performing	-	172,890	15,038	2,136	10,177
Total	$ 136,704	$ 3,194,241	$ 904,334	$ 230,801	$ 651,226

(1) It is the Corporation's policy to report delinquent residential mortgage loans insured by the FHA or guaranteed by the VA as past-due loans 90 days and still accruing as opposed to non-performing loans since the principal repayment is insured. These balances include $34.9 million of residential mortgage loans insured by the FHA or guaranteed by the VA, which are over 15 months delinquent, and are no longer accruing interest as of March 31, 2016.

(2) PCI loans are excluded from non-performing statistics due to the application of the accretion method, under which these loans will accrete interest income over the remaining life of the loans using estimated cash flow analysis.

December 31, 2015	**Consumer Credit Exposure-Credit Risk Profile Based on Payment Activity**				
	Residential Real-Estate		**Consumer**		
	FHA/VA/ Guaranteed (1)	**Other residential loans**	**Auto**	**Finance Leases**	**Other Consumer**
(In thousands)					
Performing	$ 143,141	$ 2,861,811	$ 917,545	$ 226,706	$ 652,146
Purchased Credit-Impaired (2)	-	170,766	-	-	-
Non-performing	-	169,001	17,435	2,459	10,858
Total	$ 143,141	$ 3,201,578	$ 934,980	$ 229,165	$ 663,004

(1) It is the Corporation's policy to report delinquent residential mortgage loans insured by the FHA or guaranteed by the VA as past due loans 90 days and still accruing as opposed to non-performing loans since the principal repayment is insured. These balances include $37.3 million of residential mortgage loans insured by the FHA or guaranteed by the VA, which are over 15 months delinquent, and are no longer accruing interest as of December 31, 2015.

(2)

	PCI loans are excluded from non-performing statistics due to the application of the accretion method, under which these loans will accrete interest income over the remaining life of the loans using estimated cash flow analysis.

The following tables present information about impaired loans, excluding PCI loans, which are reported separately as discussed below:

Impaired Loans (In thousands)	Recorded Investment	Unpaid Principal Balance	Related Specific Allowance	Average Recorded Investment	Interest Income Recognized On Accrual Basis	Interest Income Recognized On Cash Basis
As of March 31, 2016						
With no related allowance recorded:						
FHA/VA-Guaranteed loans	$ -	$ -	$ -	$ -	$ -	$ -
Other residential mortgage loans	62,899	72,939	-	63,303	92	80
Commercial:						
Commercial mortgage loans	35,565	45,358	-	35,982	200	135
Commercial and Industrial Loans	29,230	32,629	-	29,575	-	-
Construction:						
Land	-	-	-	-	-	-
Construction-commercial	39,037	40,000	-	39,252	-	-
Construction-residential	3,031	3,031	-	3,039	42	-
Consumer:						
Auto loans	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-
Other consumer loans	3,092	3,839	-	2,950	1	38
	$ 172,854	$ 197,796	$ -	$ 174,101	$ 335	$ 253
With an allowance recorded:						
FHA/VA-Guaranteed loans	$ -	$ -	$ -	$ -	$ -	$ -
Other residential mortgage loans	398,707	445,440	16,150	400,571	4,715	437
Commercial:						
Commercial mortgage loans	155,686	164,543	36,007	155,782	140	26
Commercial and Industrial Loans	138,930	163,236	18,749	141,502	535	26

Construction:						
Land	9,522	13,759	1,059	9,550	9	9
Construction-commercial	-	-	-	-	-	-
Construction-residential	1,348	2,082	143	1,348	-	-
Consumer:						
Auto loans	23,475	23,475	7,459	24,049	446	-
Finance leases	2,468	2,468	144	2,563	54	-
Other consumer loans	14,601	14,846	1,784	14,916	373	12
	$ 744,737	$ 829,849	$ 81,495	$ 750,281	$ 6,272	$ 510
Total:						
FHA/VA-Guaranteed loans	$ -	$ -	$ -	$ -	$ -	$ -
Other residential mortgage loans	461,606	518,379	16,150	463,874	4,807	517
Commercial:						
Commercial mortgage loans	191,251	209,901	36,007	191,764	340	161
Commercial and Industrial Loans	168,160	195,865	18,749	171,077	535	26
Construction:						
Land	9,522	13,759	1,059	9,550	9	9
Construction-commercial	39,037	40,000	-	39,252	-	-
Construction-residential	4,379	5,113	143	4,387	42	-
Consumer:						
Auto loans	23,475	23,475	7,459	24,049	446	-
Finance leases	2,468	2,468	144	2,563	54	-
Other consumer loans	17,693	18,685	1,784	17,866	374	50
	$ 917,591	$ 1,027,645	$ 81,495	$ 924,382	$ 6,607	$ 763

Impaired Loans				
(In thousands)				
	Recorded Investment	**Unpaid Principal Balance**	**Related Specific Allowance**	**Average Recorded Investment**
As of December 31, 2015				
With no related allowance recorded:				
FHA/VA-Guaranteed loans	$ -	$ -	$ -	$ -
Other residential mortgage loans	65,495	74,146	-	67,282
Commercial:				
Commercial mortgage loans	54,048	66,448	-	54,967
Commercial and Industrial Loans	27,492	29,957	-	28,326
Construction:				
Land	-	-	-	-
Construction-commercial	39,466	40,000	-	39,736
Construction-residential	3,046	3,046	-	3,098
Consumer:				
Auto loans	-	-	-	-
Finance leases	-	-	-	-
Other consumer loans	2,618	4,300	-	2,766
	$ 192,165	$ 217,897	$ -	$ 196,175
With an allowance recorded:				
FHA/VA-Guaranteed loans	$ -	$ -	$ -	$ -
Other residential mortgage loans	395,173	440,947	21,787	398,790
Commercial:				
Commercial mortgage loans	27,479	40,634	3,073	30,518
Commercial and Industrial Loans	143,214	164,050	18,096	148,547
Construction:				
Land	9,578	13,758	1,060	9,727
Construction-commercial	-	-	-	-
Construction-residential	1,426	2,180	142	1,476
Consumer:				
Auto loans	21,581	21,581	6,653	23,531
Finance leases	2,077	2,077	86	2,484
Other consumer loans	13,816	14,043	1,684	14,782
	$ 614,344	$ 699,270	$ 52,581	$ 629,855
Total:				
FHA/VA-Guaranteed loans	$ -	$ -	$ -	$ -
Other residential mortgage loans	460,668	515,093	21,787	466,072
Commercial:				
Commercial mortgage loans	81,527	107,082	3,073	85,485
Commercial and Industrial Loans	170,706	194,007	18,096	176,873

Construction:								
Land		9,578		13,758		1,060		9,727
Construction-commercial		39,466		40,000		-		39,736
Construction-residential		4,472		5,226		142		4,574
Consumer:								
Auto loans		21,581		21,581		6,653		23,531
Finance leases		2,077		2,077		86		2,484
Other consumer loans		16,434		18,343		1,684		17,548
	$	806,509	$	917,167	$	52,581	$	826,030

Interest income of approximately $9.7 million ($8.2 million on an accrual basis and $1.5 million on a cash basis) was recognized on impaired loans for the first quarter of 2015.

The following table shows the activity for impaired loans and the related specific reserve during the first quarter of 2016 and 2015:

	Quarter ended				
	March 31, 2016			March 31, 2015	
Impaired Loans:	(In thousands)				
Balance at beginning of period	$	806,509		$	945,407
Loans determined impaired during the period		157,984			62,933
Charge-offs		(8,352)			(11,715)
Loans sold, net of charge-offs		-			(1,137)
Increases to impaired loans- additional disbursements		1,347			519
Foreclosures		(7,421)			(9,952)
Loans no longer considered impaired		(20,339)			(9,898)
Paid in full or partial payments		(12,137)			(21,176)
Balance at end of period	$	917,591		$	954,981

	Quarter ended				
	March 31, 2016			March 31, 2015	
Specific Reserve:	(In thousands)				
Balance at beginning of period	$	52,581		$	55,205
Provision for loan losses		37,266			18,650
Charge-offs		(8,352)			(11,715)
Balance at end of period	$	81,495		$	62,140

PCI Loans

The Corporation acquired PCI loans accounted under ASC 310-30 as part of transaction closed on February 27, 2015 in which FirstBank acquired 10 Puerto Rico branches of Doral Bank, and acquired certain assets, including PCI loans, and assumed deposits, through an alliance with Banco Popular of Puerto Rico, which was the successful lead bidder with the FDIC on the failed Doral Bank, as well as other co-bidders. The Corporation also acquired PCI loans in previously completed asset acquisitions which are accounted for under ASC 310-30. These previous transactions include the acquisition from Doral Financial in the second quarter of 2014 of all its rights, title and interest in first and second residential mortgages loans in full satisfaction of secured borrowings owed by such entity to FirstBank, and the acquisition in 2012 of a FirstBank-branded credit card loans portfolio from FIA Card Services ("FIA").

Under ASC 310-30, the acquired PCI loans were aggregated into pools based on similar characteristics (i.e. delinquency status, loan terms). Each loan pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Since the loans are accounted for by the Corporation under ASC 310-30, they are not considered non-performing and will continue to have an accretable yield as long as there is a reasonable expectation about the timing and amount of cash flows expected to be collected. The Corporation recognizes additional losses on this portfolio when it is probable that the Corporation will be unable to collect all cash flows expected as of the acquisition date plus additional cash flows expected to be collected arising from changes in estimates after the acquisition date.

The carrying amount of PCI loans follows:

		March 31, 2016			**December 31, 2015**
		(In thousands)			
Residential mortgage loans	$	169,190		$	170,766
Commercial mortgage loans		3,142			3,147
Total PCI loans	$	172,332		$	173,913
Allowance for loan losses		(4,568)			(3,962)
Total PCI loans, net of allowance for loan losses	$	167,764		$	169,951

The following tables present PCI loans by past due status as of March 31, 2016 and December 31, 2015:

As of March 31, 2016	30-59 Days	60-89 Days	90 days or more	Total Past Due	Current	Total PCI loans
	(In thousands)					
Residential mortgage loans (1)	$ -	$ 12,999	$ 24,941	$ 37,940	$ 131,250	$ 169,190
Commercial mortgage loans (1)	-	-	992	992	2,150	3,142
	$ -	$ 12,999	$ 25,933	$ 38,932	$ 133,400	$ 172,332

(1) According to the Corporation's delinquency policy and consistent with the instructions for the preparation of the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) required by the Federal Reserve Board, residential mortgage and commercial mortgage loans are considered past due when the borrower is in arrears two or more monthly payments. PCI residential mortgage loans past due 30-59 days as of March 31, 2016 amounted to $23.5 million.

As of December 31, 2015	30-59 Days	60-89 Days	90 days or more	Total Past Due	Current	Total PCI loans
	(In thousands)					
Residential mortgage loans (1)	$ -	$ 16,094	$ 22,218	$ 38,312	$ 132,454	$ 170,766
Commercial mortgage loans (1)	-	-	992	992	2,155	3,147
	$ -	$ 16,094	$ 23,210	$ 39,304	$ 134,609	$ 173,913

(1) According to the Corporation's delinquency policy and consistent with the instructions for the preparation of the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) required by the Federal Reserve Board, residential mortgage and commercial mortgage loans are considered past due when the borrower is in arrears two or more monthly payments. PCI residential mortgage loans past due 30-59 days as of December 31, 2015 amounted to $23.6 million.

Initial Fair Value and Accretable Yield of PCI Loans

At acquisition, the Corporation estimated the cash flows the Corporation expected to collect on PCI loans. Under the accounting guidance for PCI loans, the difference between the contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. This difference is neither accreted into income nor recorded on the Corporation’s consolidated statement of financial condition. The excess of

cash flows expected to be collected over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining life of the loans, using the effective-yield method.

Changes in accretable yield of acquired loans

Subsequent to acquisition, the Corporation is required to periodically evaluate its estimate of cash flows expected to be collected. These evaluations, performed quarterly, require the continued use of key assumptions and estimates, similar to the initial estimate of fair value. Subsequent changes in the estimated cash flows expected to be collected may result in changes in the accretable yield and non-accretable difference or reclassifications from nonaccretable yield to accretable yield. Increases in the cash flows expected to be collected will generally result in an increase in interest income over the remaining life of the loan or pool of loans. Decreases in expected cash flows due to further credit deterioration will generally result in an impairment charge recognized in the Corporation's provision for loan and lease losses, resulting in an increase to the allowance for loan losses. During the first quarter of 2016, the Corporation increased by $0.6 million to $4.6 million the reserve related to PCI loans acquired from Doral Financial in 2014. The reserve is driven by the revisions to the expected cash flows of the portfolio for the remaining term of the loan pool based on market conditions.

Changes in the accretable yield of PCI loans for the quarters ended March 31, 2016 and 2015 were as follows:

		March 31, 2016		March 31, 2015
	(In thousands)			
Balance at beginning of period	$	118,385	$	82,460
Additions (accretable yield at acquisition of loans from Doral Bank)		-		38,319
Accretion recognized in earnings		(2,889)		(2,277)
Reclassification to non-accretable		(1,398)		-
Balance at end of period	$	114,098	$	118,502

Changes in the carrying amount of loans accounted for pursuant to ASC 310-30 follows:

		Quarter ended March 31, 2016		Quarter ended March 31, 2015
		(In thousands)		(In thousands)
Balance at beginning of period	$	173,913	$	102,604
Additions		-		79,889
Accretion		2,889		2,277
Collections		(4,371)		(3,656)
Foreclosures		(99)		-
Ending balance	$	172,332	$	181,114
Allowance for loan losses		(4,568)		-
Ending balance, net of allowance for loan losses	$	167,764	$	181,114

Changes in the allowance for loan losses related to PCI loans follows:

		Quarter ended March 31, 2016		Quarter ended March 31, 2015
		(In thousands)		(In thousands)
Balance at beginning of period	$	3,962	$	-
Provision for loan losses		606		-
Balance at the end of period	$	4,568	$	-

Adoption of new accounting requirements and recently issued but not yet effective accounting requirements

The outstanding principal balance of PCI loans, including amounts charged off by the Corporation, amounted to $216.1 million as of March 31, 2016 (December 31, 2015- $218.1 million).

Purchases and Sales of Loans

During the first quarter of 2016, the Corporation purchased $19.1 million of residential mortgage loans consistent with a strategic program established by the Corporation in 2005 to purchase ongoing residential mortgage loan production from mortgage bankers in Puerto Rico. Generally, the loans purchased from mortgage bankers were conforming residential mortgage loans. Purchases of conforming residential mortgage loans provide the Corporation the flexibility to retain or sell the loans, including through securitization transactions, depending upon the Corporation's interest rate risk management strategies. When the Corporation sells such loans, it generally keeps the servicing of the loans.

In the ordinary course of business, the Corporation sells residential mortgage loans (originated or purchased) to GNMA and government-sponsored entities ("GSEs") such as Fannie Mae ("FNMA") and Freddie Mac ("FHLMC"), which generally securitize the transferred loans into mortgage-backed securities for sale into the secondary market. The Corporation sold approximately $38.3 million of performing residential mortgage loans to FNMA and FHLMC during the first quarter of 2016. Also, during the first quarter of 2016, the Corporation sold $67.7 million of FHA/VA mortgage loans to GNMA, which packages them into mortgage-backed securities. The Corporation's continuing involvement in these loan sales consists primarily of servicing the loans. In addition, the Corporation agreed to repurchase loans when it breaches any of the representations and warranties included in the sale agreement. These representations and warranties are consistent with the GSEs' selling and servicing guidelines (i.e., ensuring that the mortgage was properly underwritten according to established guidelines).

For loans sold to GNMA, the Corporation holds an option to repurchase individual delinquent loans issued on or after January 1, 2003 when the borrower fails to make any payment for three consecutive months. This option gives the Corporation the ability, but not the obligation, to repurchase the delinquent loans at par without prior authorization from GNMA.

Under ASC 860, *Transfer and Servicing*, once the Corporation has the unilateral ability to repurchase the delinquent loan, it is considered to have regained effective control over the loan and is required to recognize the loan and a corresponding repurchase liability on the balance sheet regardless of the Corporation's intent to repurchase the loan.

During the first quarter of 2016 and 2015, the Corporation repurchased pursuant to its repurchase option with GNMA $8.4 million and $3.0 million, respectively, of loans previously sold to GNMA. The principal balance of these loans is fully guaranteed and the risk of loss related to the repurchased loans is generally limited to the difference between the delinquent interest payment advanced to GNMA computed at the loan's interest rate and the interest payments reimbursed by FHA, which are computed at a pre-determined debenture rate. Repurchases of GNMA loans allow the Corporation, among other things, to maintain acceptable delinquency rates on outstanding GNMA pools and remain as a seller and servicer in good standing with GNMA. The Corporation generally remediates any breach of representations and warranties related to the underwriting of such loans according to established GNMA guidelines without incurring losses. The Corporation does not maintain a liability for estimated losses as a result of breaches in

representations and warranties.

Loan sales to FNMA and FHLMC are without recourse in relation to the future performance of the loans. The Corporation repurchased at par loans previously sold to FNMA and FHLMC in the amount of $0.5 million and $0.2 million during the first quarter of 2016 and 2015, respectively. The Corporation's risk of loss with respect to these loans is also minimal as these repurchased loans are generally performing loans with documentation deficiencies. No losses related to breaches of representations and warranties were incurred in the first quarter of 2016. Historically, losses experienced on these loans have been immaterial. As a consequence, as of March 31, 2016, the Corporation does not maintain a liability for estimated losses on loans expected to be repurchased as a result of breaches in loan and servicer representations and warranties.

Loan Portfolio Concentration

The Corporation's primary lending area is Puerto Rico. The Corporation's banking subsidiary, First Bank, also lends in the USVI and BVI markets and in the United States (principally in the state of Florida). Of the total gross loans held for investment of $9.1 billion as of March 31, 2016, approximately 80% have credit risk concentration in Puerto Rico, 13% in the United States, and 7% in the USVI and BVI.

As of March 31, 2016, the Corporation had $315.6 million of credit facilities, excluding investment securities, extended to the Puerto Rico government, its municipalities and public corporations, of which $302.2 million was outstanding (book value of $297.2 million), compared to $314.6 million outstanding as of December 31, 2015. In addition, the outstanding balance of facilities granted to the government of the Virgin Islands amounted to $67.4 million as of March 31, 2016, compared to $126.2 million as of December 31, 2015. Approximately $199.3 million of the granted credit facilities outstanding consisted of loans to municipalities in Puerto Rico whose revenues are independent of the Puerto Rico central government. Municipal debt exposure is secured by ad valorem taxation without limitation as to rate or amount on all taxable property within the boundaries of each municipality. The good faith, credit, and unlimited taxing power of the applicable municipality have been pledged to the repayment of the municipality's loans. Approximately 88% of the Corporation's municipality exposure consists primarily of senior priority loans concentrated on five of the largest

municipalities on Puerto Rico (San Juan, Carolina, Bayamon, Mayaguez and Guaynabo). These municipalities are required by law to levy special property taxes in such amounts as required for the payment of all their respective general obligation bonds and loans. In addition to municipalities, loans extended to the Puerto Rico Government include $6.9 million of loans to units of the Puerto Rico central government, and approximately $96.0 million ($91.0 million book value) consisted of loans to public corporations that generally receive revenues from the rates they charge for services or products, such as electric power services, including a credit facility extended to the Puerto Rico Electric Power Authority ("PREPA") with a book value of $69.7 million as of March 31, 2016. The PREPA credit facility was placed in non-accrual status in the first quarter of 2015, and interest payments are recorded on a cost recovery basis. Major public corporations have varying degrees of independence from the central government and many receive appropriations or other payments from the Puerto Rico government's general fund. Debt issued by the Puerto Rico central government can either carry the full faith, credit and taxing power of the Commonwealth of Puerto Rico or represent an obligation that is subject to annual budget appropriations.

Furthermore, as of March 31, 2016, the Corporation had $128.6 million outstanding in financings to the hotel industry in Puerto Rico where the borrower and operations of the underlying collateral are the primary sources of repayment and the Puerto Rico Tourism Development Fund (the "TDF") provides a secondary guarantee for payment performance, compared to $129.4 million as of December 31, 2015. The TDF is a subsidiary of the GDB that facilitates private-sector financings to Puerto Rico's hotel industry. The TDF provides guarantees to financings and may provide direct loans. The Corporation placed the $128.6 million exposure to loans guaranteed by the TDF in non-accrual status in the first quarter of 2016. Recent developments related to the Puerto Rico government's fiscal situation introduced additional uncertainty regarding TDF's ability to honor its guarantee, including the enactment on April 6, 2016 of the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act. This Act gives Puerto Rico's governor emergency powers to deal with the Puerto Rico government's challenging fiscal situation, including the ability to declare a moratorium on all bonds and other payments. Puerto Rico's governor issued an executive order intended to protect the GDB's liquidity by allowing withdrawals only to fund necessary costs for essential services such as health, public safety and education services. Most recently, the GDB paid the scheduled interest payment but defaulted on the principal payment of $367 million notes due on May 1, 2016 and entered into an agreement with credit unions in Puerto Rico to exchange $33 million of notes maturing on May 1, 2016 for newly issued notes with substantially the same terms, but maturing on May 1, 2017.

The Corporation has been receiving combined payments from the borrowers and TDF as guarantor sufficient to cover contractual payments on these loans, including collections of principal and interest from TDF of $0.6 million in the first quarter of 2016 and $5.3 million in the entire year 2015. These loans, which have been adversely classified since the third quarter of 2015, were current in contractual payments as of March 31, 2016. Prospectively, principal and interest payment collections received by the Corporation for these loans will be applied against the outstanding balance of the loans.

The general reserve for commercial loans was increased in the fourth quarter of 2015 due to qualitative factors that stressed the historical loss rates applied to the Puerto Rico Government-related exposure, including the TDF-guaranteed portfolio. The migration of the loans guaranteed by the TDF to non-accrual status in the first quarters of 2016 did not result in a significant increase to the allowance for loan losses. As of March 31, 2016, the total reserve coverage ratio related to commercial loans extended to or guaranteed by the Puerto Rico Government (excluding

municipalities) was 20%.

In addition, the Corporation had $124.3 million in indirect exposure to residential mortgage loans that are guaranteed by the Puerto Rico Housing Finance Authority. Residential mortgage loans guaranteed by the Puerto Rico Housing Finance Authority are secured by the underlying properties and the guarantees serve to cover shortfalls in collateral in the event of a borrower default. The Puerto Rico government guarantees up to $75 million of the principal insured by the mortgage loans insurance program. According to the most recently released audited financial statements of the Puerto Rico Housing Financing Authority, as of June 30, 2015, the Puerto Rico Housing Finance Authority's mortgage loans insurance program covered loans aggregating to approximately $552 million. The regulations adopted by the Puerto Rico Housing Finance Authority require the establishment of adequate reserves to guarantee the solvency of the mortgage loans insurance fund. As of June 30, 2015, the Puerto Rico Housing Finance Authority had a restricted net position for such purposes of approximately $77.4 million.

The Corporation cannot predict at this time the impact that the current fiscal situation of the Commonwealth of Puerto Rico, including the payment defaults on certain bonds, the uncertainty about the debt restructuring process and how the U.S. government may address Puerto Rico's financial problems, and the various legislative and other measures adopted and to be adopted by the Puerto Rico government in response to such fiscal situation, will have on the Puerto Rico economy and on the Corporation's financial condition and results of operations.

Troubled Debt Restructurings

The Corporation provides homeownership preservation assistance to its customers through a loss mitigation program in Puerto Rico that is similar to the U.S. 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 a 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, 2016, the Corporation's total TDR loans held for investment of $659.1 million consisted of $384.3 million of residential mortgage loans, $144.8 million of commercial and industrial loans, $43.5 million of commercial mortgage loans, $45.2 million of construction loans, and $41.3 million of consumer loans. Outstanding unfunded commitments on TDR loans amounted to $0.3 million as of March 31, 2016.

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, and reduction of interest rates either permanently or for a period of up to four years (increasing back in step-up rates). Additionally, in certain cases, the restructuring may provide for the forgiveness of contractually due principal or interest. Uncollected interest is added to the end of the loan 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 only to those borrowers who have defaulted, or are likely to default, permanently on their loan and would lose their homes in the foreclosure action absent some lender concession. Nevertheless, if the Corporation is not reasonably assured that the borrower will comply with its contractual commitment, properties are foreclosed.

Prior to permanently modifying a loan, the Corporation may enter into trial modifications with certain borrowers. Trial modifications generally represent a six-month period during which the borrower makes monthly payments under the anticipated modified payment terms prior to a formal modification. Upon successful completion of a trial modification, the Corporation and the borrower enter into a permanent modification. TDR loans that are participating in, or that have been offered a binding trial modification are classified as TDRs when the trial offer is made and continue to be classified as TDR regardless of whether the borrower enters into a permanent modification. As of March 31, 2016, we classified an additional $7.2 million of residential mortgage loans as TDRs that were participating in or had been offered a trial modification.

For the commercial real estate, commercial and industrial, and construction loan portfolios, at the time of a restructuring, the Corporation determines, on a loan-by-loan basis, whether a concession was granted for economic or legal reasons related to the 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; waivers of borrower covenants; forgiveness of principal or interest; or other contractual changes that would be considered a concession. The Corporation mitigates loan defaults for its commercial loan portfolios through its collection function. The function's objective is to minimize both early stage delinquencies and losses upon default of commercial loans. In the case of the commercial and industrial, commercial mortgage, and construction loan portfolios, the Corporation's 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 OREO. 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 SAG function also utilizes third-party specialized consultants to monitor the residential and commercial construction projects in terms of construction, marketing and sales, and to assist with the 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.

Selected information on TDR loans that includes the recorded investment by loan class and modification type is summarized in the following tables. This information reflects all TDRs:

(In thousands)	March 31, 2016 Interest rate below market	Maturity or term extension	Combination of reduction in interest rate and extension of maturity	Forgiveness of principal and/or interest	Other (1)	Total
Troubled Debt Restructurings:						
Non- FHA/VA Residential Mortgage loans	$ 29,605	$ 6,272	$ 296,531	$ -	$ 51,927	$ 384,335
Commercial Mortgage Loans	4,005	1,235	25,921	-	12,308	43,469
Commercial and Industrial Loans	1,700	73,089	26,583	3,018	40,438	144,828
Construction Loans:						
Land	-	228	2,159	-	368	2,755
Construction-commercial	-	-	-	39,037	-	39,037
Construction-residential	-	-	3,031	-	357	3,388
Consumer Loans - Auto	-	2,173	13,765	-	7,542	23,480
Finance Leases	-	541	1,928	-	-	2,469
Consumer Loans - Other	82	1,555	11,145	258	2,303	15,343
Total Troubled Debt Restructurings	$ 35,392	$ 85,093	$ 381,063	$ 42,313	$ 115,243	$ 659,104

(1) Other concessions granted by the Corporation include deferral of principal and/or interest payments for a period longer than what would be considered insignificant, payment plans under judicial stipulation, or a combination of the concessions listed in the table.

(In thousands)	December 31, 2015 Interest rate below	Maturity or term	Combination of reduction	Forgiveness of	Other (1)	Total

	market	**extension**	**in interest rate and extension of maturity**	**principal and/or interest**		
Troubled Debt Restructurings:						
Non- FHA/VA Residential Mortgage loans	$ 29,066	$ 6,027	$ 297,310	$ -	$ 50,269	$ 382,672
Commercial Mortgage Loans	4,379	1,244	26,109	-	12,766	44,498
Commercial and Industrial Loans	2,163	75,104	27,214	3,027	42,746	150,254
Construction Loans:						
Land	-	229	2,165	-	372	2,766
Construction-commercial	-	-	-	39,466	-	39,466
Construction-residential	-	-	3,046	-	436	3,482
Consumer Loans - Auto	-	2,330	12,388	-	6,864	21,582
Finance Leases	-	621	1,456	-	-	2,077
Consumer Loans - Other	89	1,604	11,026	327	1,748	14,794
Total Troubled Debt Restructurings	$ 35,697	$ 87,159	$ 380,714	$ 42,820	$ 115,201	$ 661,591

(1) Other concessions granted by the Corporation include deferral of principal and/or interest payments for a period longer than what would be considered insignificant, payment plans under judicial stipulation or a combination of the concessions listed in the table.

The following table presents the Corporation's TDR loans activity

(In thousands)	Quarter Ended				
	March 31, 2016			March 31, 2015	
Beginning Balance of TDRs	$	661,591		$	694,453
New TDRs		16,219			31,601
Increases to existing TDRs - additional disbursements		701			335
Charge-offs post modification		(5,822)			(3,781)
Foreclosures		(2,821)			(7,156)
Paid-off, partial payments		(10,764)			(10,329)
Ending balance of TDRs	$	659,104		$	705,123

TDR loans are classified as either accrual or nonaccrual loans. Loans in accrual status may remain in accrual status when their contractual terms have been modified in a TDR if the loans had demonstrated performance prior to the restructuring and payment in full under the restructured terms is expected. Otherwise, loans on non-accrual 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 loan being returned to accrual status 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 non-accrual loan. Loan modifications increase the Corporation’s interest income by returning a non-performing loan to performing status, if applicable, increase cash flows by providing for payments to be made by the borrower, and limit increases in foreclosure and OREO costs. The Corporation continues to consider a modified loan as an impaired loan for purposes of estimating the allowance for loan and lease losses. A TDR loan that specifies an interest rate that at the time of the restructuring is greater than or equal to the rate the Corporation is willing to accept for a new loan with comparable risk may not be reported as a TDR, or an impaired loan in the calendar years subsequent to the restructuring, if it is in compliance with its modified terms. The Corporation did not remove any loans from the TDR classification during the first quarter of 2016 and 2015.

The following table provides a breakdown between the accrual and non-accrual status of TDR loans:

(In thousands)	As of March 31, 2016					
	Accrual		Non-accrual (1)		Total TDRs	
Non-FHA/VA Residential Mortgage loans	$	302,773	$	81,562	$	384,335
Commercial Mortgage Loans		27,763		15,706		43,469
Commercial and Industrial Loans		47,463		97,365		144,828
Construction Loans:						
Land		917		1,838		2,755
Construction-commercial		-		39,037		39,037
Construction-residential		3,031		357		3,388
Consumer Loans - Auto		15,943		7,537		23,480
Finance Leases		2,329		140		2,469
Consumer Loans - Other		13,214		2,129		15,343
Total Troubled Debt Restructurings	$	413,433	$	245,671	$	659,104

(1) Included in non-accrual loans are $119.2 million in loans that are performing under the terms of a restructuring agreement but are reported in non-accrual 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.

(In thousands)	December 31, 2015					
	Accrual		Non-accrual (1)		Total TDRs	
Non-FHA/VA Residential Mortgage loans	$	303,885	$	78,787	$	382,672
Commercial Mortgage Loans		29,121		15,377		44,498
Commercial and Industrial Loans		48,392		101,862		150,254
Construction Loans:						
Land		924		1,842		2,766
Construction-commercial		-		39,466		39,466
Construction-residential		3,046		436		3,482
Consumer Loans - Auto		14,823		6,759		21,582
Finance Leases		1,980		97		2,077
Consumer Loans - Other		12,737		2,057		14,794
Total Troubled Debt Restructurings	$	414,908	$	246,683	$	661,591

(1)	Included in non-accrual loans are $118.2 million in loans that are performing under the terms of a restructuring agreement but are reported in non-accrual 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.

TDR loans exclude restructured residential mortgage loans that are guaranteed by the U.S. federal government (i.e., FHA/VA loans) totaling $74.2 million as of March 31, 2016 (December 31, 2015 - $77.6 million). The Corporation excludes FHA/VA guaranteed loans from TDR loans statistics given that, in the event that the borrower defaults on the loan, the principal and interest (at the specified debenture rate) are guaranteed by the U.S. government; therefore, the risk of loss on these types of loans is very low. The Corporation does not consider loans with U.S. federal government guarantees to be impaired loans for the purpose of calculating the allowance for loan and lease losses.

Loans modifications that are considered TDR loans and were completed during the first quarter of 2016 and 2015 were as follows:

(Dollars in thousands)	Quarter ended March 31, 2016					
	Number of contracts		Pre-modification Outstanding Recorded Investment			Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:						
Non-FHA/VA Residential Mortgage loans	58	$	9,012		$	8,459
Commercial Mortgage Loans	-		-			-
Commercial and Industrial Loans	-		-			-
Construction Loans:						
Land	-		-			-
Construction-commercial	-		-			-
Construction-residential	-		-			-
Consumer Loans - Auto	258		4,981			4,981
Finance Leases	36		940			940
Consumer Loans - Other	336		1,821			1,839
Total Troubled Debt Restructurings	688	$	16,754		$	16,219

(Dollars in thousands)	Quarter ended March 31, 2015					
	Number of contracts		Pre-modification Outstanding Recorded Investment			Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:						
Non-FHA/VA Residential Mortgage loans	81	$	11,495		$	11,265
Commercial Mortgage Loans	8		12,821			12,931
Commercial and Industrial Loans	1		1,681			1,681
Construction Loans:						
Land	1		64			64
Consumer Loans - Auto	146		2,173			2,130
Finance Leases	8		233			184
Consumer Loans - Other	377		3,391			3,346
Total Troubled Debt Restructurings	622	$	31,858		$	31,601

Recidivism, or the borrower defaulting on its obligation pursuant to a modified loan, results in the loan once again becoming a non-performing loan. Recidivism occurs at a notably higher rate than do defaults on new origination loans, so modified loans present a higher risk of loss than do new origination loans. The Corporation considers a loan

to have defaulted if the borrower has failed to make payments of either principal, interest, or both for a period of 90 days or more.

Loan modifications considered TDR loans that defaulted during the quarters ended March 31, 2016 and March 31, 2015 and had become TDR during the 12-month period preceding the default date, were as follows:

	Quarter ended March 31,						
(Dollars in thousands)	**2016**			**2015**			
	Number of contracts	**Recorded Investment**			**Number of contracts**	**Recorded Investment**	
Non-FHA/VA Residential Mortgage loans	11	$	1,978		12	$	1,773
Commercial Mortgage Loans	-		-		-		-
Commercial and Industrial Loans	-		-		4		5,745
Construction Loans:	-		-		-		-
Land	-		-		-		-
Construction-commercial	-		-		-		-
Construction-residential	-		-		-		-
Consumer Loans - Auto	9		136		2		8
Finance Leases	1		13		1		15
Consumer Loans - Other	33		130		53		229
Total	54	$	2,257		72	$	7,770

For certain TDR loans, the Corporation splits the loans into two new notes, A and B notes. The A note is restructured to comply with the Corporation's lending standards at current market rates, and is tailored to suit the customer's ability to make timely interest and principal payments. The B note includes the granting of the concession to the borrower and varies by situation. The B note is charged off but the obligation is not forgiven to the borrower, and any payments collected are accounted for as recoveries. At the time of the restructuring, the A note is identified and classified as a TDR loan. If the loan performs for at least six months according to the modified terms, the A note may be returned to accrual status. The borrower's payment performance prior to the restructuring is included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual status at the time of the restructuring. In the periods following the calendar year in which a loan was restructured, the A note may no longer be reported as a TDR loan if it is on accrual status, is in compliance with its modified terms, and yields a market rate (as determined and documented at the time of the restructuring).

The recorded investment in loans held for investment restructured using the A/B note restructure workout strategy was approximately $38.6 million as of March 31, 2016. The following table provides additional information about the volume of this type of loan restructuring and the effect on the allowance for loan and lease losses in the first quarter of 2016 and 2015:

(In thousands)	March 31, 2016			March 31, 2015
Principal balance deemed collectible at end of period	$	38,628	$	42,907
Amount charged off	$	-	$	-
Charges (reductions) to the provision for loan losses	$	1,978	$	(24)
Allowance for loan losses at end of period	$	2,480	$	707

Of the loans comprising the $38.6 million that have been deemed collectible, approximately $38.5 million were placed in accrual status as the borrowers have exhibited a period of sustained performance. These loans continue to be individually evaluated for impairment purposes.

NOTE 7 – ALLOWANCE FOR LOAN AND LEASE LOSSES

The changes in the allowance for loan and lease losses were as follows:

(In thousands) **Quarter ended March 31, 2016**		**Residential Mortgage Loans**		**Commercial Mortgage Loans**		**Commercial & Industrial Loans**		**Construction Loans**		**Consumer Loans**		**Total**
Allowance for loan and lease losses:												
Beginning balance	$	39,570	$	68,211	$	68,768	$	3,519	$	60,642	$	240,710
Charge-offs		(7,306)		(575)		(3,759)		(91)		(14,804)		(26,535)
Recoveries		346		46		280		17		2,208		2,897
Provision (release)		5,938		1,062		5,809		(432)		8,676		21,053
Ending balance	$	38,548	$	68,744	$	71,098	$	3,013	$	56,722	$	238,125
Ending balance: specific reserve for												
impaired loans	$	16,150	$	36,007	$	18,749	$	1,202	$	9,387	$	81,495
Ending balance: purchased credit-impaired loans (1)	$	4,423	$	145	$	-	$	-	$	-	$	4,568
Ending balance: general allowance	$	17,975	$	32,592	$	52,349	$	1,811	$	47,335	$	152,062
Loans held for investment:												
Ending balance	$	3,330,945	$	1,524,491	$	2,343,416	$	146,129	$	1,786,361	$	9,131,342
Ending balance: impaired loans	$	461,606	$	191,251	$	168,160	$	52,938	$	43,636	$	917,591
Ending balance: purchased credit-												
impaired loans	$	169,190	$	3,142	$	-	$	-	$	-	$	172,332
Ending balance: loans with general allowance	$	2,700,149	$	1,330,098	$	2,175,256	$	93,191	$	1,742,725	$	8,041,419

(1) Refer to Note 6 - Loans Held for Investment-PCI loans for a detail of changes in the allowance for loan losses related to PCI loans.

(In thousands) Quarter ended March 31, 2015	Residential Mortgage Loans		Commercial Mortgage Loans		Commercial & Industrial Loans		Construction Loans		Consumer Loans		Total	
Allowance for loan and lease losses:												
Beginning balance	$	27,301	$	50,894	$	63,721	$	12,822	$	67,657	$	222,395
Charge-offs		(5,192)		(4,006)		(4,453)		(605)		(17,757)		(32,013)
Recoveries		98		276		558		207		1,573		2,712
Provision (release)		6,475		(2,137)		10,353		1,215		17,064		32,970
Ending balance	$	28,682	$	45,027	$	70,179	$	13,639	$	68,537	$	226,064
Ending balance: specific reserve for												
impaired loans	$	14,862	$	13,238	$	24,871	$	3,381	$	5,788	$	62,140
Ending balance: purchased credit-impaired loans	$	-	$	-	$	-	$	-	$	-	$	-
Ending balance: general allowance	$	13,820	$	31,789	$	45,308	$	10,258	$	62,749	$	163,924
Loans held for investment:												
Ending balance	$	3,331,620	$	1,649,263	$	2,442,867	$	124,440	$	1,937,182	$	9,485,372
Ending balance: impaired loans	$	429,526	$	224,365	$	226,656	$	37,593	$	36,841	$	954,981
Ending balance: purchased credit-												
impaired loans	$	177,601	$	3,279	$	-	$	-	$	234	$	181,114
Ending balance: loans with general allowance	$	2,724,493	$	1,421,619	$	2,216,211	$	86,847	$	1,900,107	$	8,349,277

As of March 31, 2016, the Corporation maintained a $1.3 million reserve for unfunded loan commitments mainly related to outstanding commercial loan commitments and a floor plan revolving line of credit. The reserve for unfunded loan commitments is an estimate of the losses inherent in off-balance sheet loan commitments to borrowers that are experiencing financial difficulties at the balance sheet date. It is calculated by multiplying an estimated loss factor by an estimated probability of funding, and then by the period-end amounts for unfunded commitments. The reserve for unfunded loan commitments is included as part of accounts payable and other liabilities in the consolidated statement of financial condition.

NOTE 8 – LOANS HELD FOR SALE

The Corporation's loans held-for-sale portfolio was composed of:

	As of March 31, 2016		As of December 31, 2015	
	(In thousands)			
Residential mortgage loans	$	29,789	$	27,734
Construction loans		8,079		8,135
Total	$	37,868	$	35,869

Non-performing loans held for sale totaled $8.1 million as of March 31, 2016 and December 31, 2015.

NOTE 9 – OTHER REAL ESTATE OWNED

The following table presents OREO inventory as of the dates indicated:

		March 31, 2016		December 31, 2015
	(Dollars in thousands)			
OREO				
OREO balances, carrying value:				
Residential (1)	$	42,976	$	43,563
Commercial		86,008		87,849
Construction		13,904		15,389
Total	$	142,888	$	146,801

(1)	Excludes $10.9 million and $8.9 million as of March 31, 2016 and December 31, 2015, respectively, of foreclosures that meet the conditions of ASC 310-40 and are presented as a receivable (other assets) in the statement of financial condition.

NOTE 10 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

One of the market risks facing the Corporation is interest rate risk, which includes the risk that changes in interest rates will result in changes in the value of the Corporation's assets or liabilities and the risk that net interest income from its loan and investment portfolios will be adversely affected by changes in interest rates. The overall objective of the Corporation's interest rate risk management activities is to reduce the variability of earnings caused by changes in interest rates.

The Corporation designates a derivative as a fair value hedge, cash flow hedge or economic undesignated hedge when it enters into the derivative contract. As of March 31, 2016 and December 31, 2015, all derivatives held by the Corporation were considered economic undesignated hedges. These undesignated hedges are recorded at fair value with the resulting gain or loss recognized in current earnings.

The following summarizes the principal 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.

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 that have no net settlement provision and no market mechanism to facilitate net settlement and that provide for delivery of a security within the time frame 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 economically hedge the FHA/VA residential mortgage loan securitizations of the mortgage-banking operations. Unrealized gains (losses) are recognized as part of mortgage banking activities in the consolidated statement of income.

To satisfy the needs of its customers, the Corporation may enter into non-hedging transactions. On these transactions, generally, the Corporation participates as a buyer in one of the agreements and as a seller in the other agreement under the same terms and conditions.

In addition, the Corporation enters into certain contracts with embedded derivatives that do not require separate accounting as these are clearly and closely related to the economic characteristics of the host contract. When the

embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, it is bifurcated, carried at fair value, and designated as a trading or non-hedging derivative instrument.

The following table summarizes the notional amounts of all derivative instruments as of the indicated dates:

	Notional Amounts (1)		
	As of March 31, 2016		As of December 31, 2015
Undesignated economic hedges:	(In thousands)		
Interest rate contracts:			
Written interest rate cap agreements	120,477		120,816
Purchased interest rate cap agreements	120,477		120,816
Forward Contracts:			
Sale of TBA GNMA MBS pools	37,000		30,000
	$ 277,954		$ 271,632

(1) Notional amounts are presented on a gross basis with no netting of offsetting exposure positions.

The following table summarizes the fair value of derivative instruments as of the indicated dates and the location in the statement of financial condition as of the indicated dates:

	Asset Derivatives			Liability Derivatives		
	Statement of Financial Condition Location	March 31, 2016 Fair Value	December 31, 2015 Fair Value	Statement of Financial Condition Location	March 31, 2016 Fair Value	December 31, 2015 Fair Value
	(In thousands)					
Undesignated economic hedges:						
Interest rate contracts:						
Written interest rate cap agreements	Other assets	$ -	$ -	Accounts payable and other liabilities	$ 364	$ 798
Purchased interest rate cap agreements	Other assets	368	806	Accounts payable and other liabilities	-	-
Forward Contracts:						

Sales of TBA GNMA MBS pools	Other assets		-		-	Accounts payable and other liabilities		272		123
		$	368	$	806		$	636	$	921

The following table summarizes the effect of derivative instruments on the statement of income :

		Gain (or Loss)			
	Location of Gain or (Loss)	Quarter Ended			
	Recognized in Income on	March 31,			
(In thousands)	**Derivatives**	**2016**		**2015**	
		(In thousands)			
UNDESIGNATED ECONOMIC HEDGES:					
Interest rate contracts:					
Written and purchased interest rate swap agreements	Interest income - Loans	$	(4)	$	-
Forward contracts:					
Sales of TBA GNMA MBS pools	Mortgage Banking Activities		(149)		(72)
Total loss on derivatives		$	(153)	$	(72)

Derivative instruments 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, the level of interest rates, as well as the expectations for rates in the future.

NOTE 11 – OFFSETTING OF ASSETS AND LIABILITIES

The Corporation enters into master agreements with counterparties, primarily related to derivatives and repurchase agreements that may allow for netting of exposures in the event of default. In an event of default, each party has a right of set-off against the other party for amounts owed under the related agreement and any other amount or obligation owed in respect of any other agreement or transaction between them. The following table presents information about the offsetting of financial assets and liabilities as well as derivative assets and liabilities:

Offsetting of Financial Assets and Derivative Assets

In thousands

As of March 31, 2016				**Gross Amounts Not Offset in the Statement of Financial Position**		
Description	**Gross Amounts of Recognized Assets**	**Gross Amounts Offset in the Statement of Financial Position**	**Net Amounts of Assets Presented in the Statement of Financial Position**	**Financial Instruments**	**Cash Collateral Received**	**Net Amount**
Derivatives	$ 368	$ -	$ 368	$ (368)	$ -	$ -
Securities purchased under agreements to	200,000	(200,000)	-	-	-	-

Description		Gross Amounts of Recognized Assets		Gross Amounts Offset in the Statement of Financial Position		Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments		Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral		Net Amount
resell											
Total	$	200,368	$	(200,000)	$	368	$	(368)	$	-	$	-
As of December 31, 2015											
Derivatives	$	806	$	-	$	806	$	(806)	$	-	$	-
Securities purchased under agreements to resell		200,000		(200,000)		-		-		-		-
Total	$	200,806	$	(200,000)	$	806	$	(806)	$	-	$	-

Offsetting of Financial Liabilities and Derivative Liabilities

In thousands

As of March 31, 2016						
				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amounts of Recognized Liabilities	**Gross Amounts Offset in the Statement of Financial Position**	**Net Amounts of Liabilities Presented in the Statement of Financial Position**	**Financial Instruments**	**Cash Collateral Received**	**Net Amount**
Description						
Securities sold under agreements to repurchase	$ 600,000	$ (200,000)	$ 400,000	$ (400,000)	$ -	$ -

As of December 31, 2015						
				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amounts of Recognized Liabilities	**Gross Amounts Offset in the Statement of Financial Position**	**Net Amounts of Liabilities Presented in the Statement of Financial Position**	**Financial Instruments**	**Cash Collateral**	**Net Amount**
Description						
Securities sold under agreements to repurchase	$ 600,000	$ (200,000)	$ 400,000	$ (400,000)	$ -	$ -

NOTE 12 – GOODWILL AND OTHER INTANGIBLES

Goodwill as of March 31, 2016 and December 31, 2015 amounted to $28.1 million, recognized as part of "Other Assets" in the consolidated statement of financial condition. The Corporation conducted its annual evaluation of goodwill and other intangibles during the fourth quarter of 2015. The Corporation's goodwill is related to the acquisition of FirstBank Florida in 2005.

There have been no events related to the Florida reporting unit that could indicate potential goodwill impairment since the date of the last evaluation; therefore, no goodwill impairment evaluation was performed during the first quarter of 2016. Goodwill and other indefinite life intangibles are reviewed at least annually for impairment.

In connection with the acquisition of the FirstBank-branded credit card loan portfolio, in the second quarter of 2012, the Corporation recognized a purchased credit card relationship intangible of $24.5 million, which is being amortized over the remaining estimated life of 5.6 years on an accelerated basis based on the estimated attrition rate of the purchased credit card accounts, which reflects the pattern in which the economic benefits of the intangible asset are consumed. These benefits are consumed as the revenue stream generated by the cardholder relationship is realized.

The core deposit intangible acquired in the February 2015 Doral Bank transaction amounted to $5.8 million ($4.9 million as of March 31, 2016).

In the first quarter of 2016, FirstBank Insurance Agency acquired certain insurance customer accounts and related customer records and recognized an insurance customer relationship intangible of $1.1 million, which is being amortized over the next 6.8 years on a straight-line basis. The list of accounts acquired has a direct relationship to the previous mortgage loan portfolio acquisitions from Doral Bank and Doral Financial in 2015 and 2014.

The following table shows the gross amount and accumulated amortization of the Corporation's intangible assets recognized as part of Other Assets in the consolidated statement of financial condition:

	As of March 31, 2016			As of December 31, 2015	
(Dollars in thousands)					
Core deposit intangible:					
Gross amount, beginning of period	$	51,664		$	45,844
Addition as a result of acquisition		-			5,820

Accumulated amortization		(42,990)			(42,498)
Net carrying amount	$	8,674		$	9,166
Remaining amortization period		8.8 years			9.0 years
Purchased credit card relationship intangible:					
Gross amount	$	24,465		$	24,465
Accumulated amortization		(11,843)			(11,146)
Net carrying amount	$	12,622		$	13,319
Remaining amortization period		5.6 years			5.8 years
Insurance customer relationship intangible:					
Gross amount	$	1,067		$	-
Accumulated amortization		(25)			-
Net carrying amount	$	1,042		$	-
Remaining amortization period		6.8 years			-

For the quarters ended March 31, 2016 and 2015, the amortization expense of core deposit intangibles amounted to $0.5 million and $0.3 million, respectively. For the quarters ended March 31, 2016 and 2015, the amortization expense of the purchased credit card relationship intangible amounted to $0.7 million and $0.8 million, respectively. For the quarter ended March 31, 2016, the amortization expense of the insurance customer relationship intangible amounted to $25 thousand.

The estimated aggregate amortization expense related to these intangible assets for future periods is as follows:

		Amount
		(In thousands)
2016	$	3,681
2017		4,495
2018		3,519
2019		3,067
2020		2,851
2021 and after		4,725

NOTE 13 – NON-CONSOLIDATED VARIABLE INTEREST ENTITIES AND SERVICING ASSETS

The Corporation transfers residential mortgage loans in sale or securitization transactions in which it has continuing involvement, including servicing responsibilities and guarantee arrangements. All such transfers have been accounted for as sales as required by applicable accounting guidance.

When evaluating the need to consolidate counterparties to which the Corporation has transferred assets or with which the Corporation has entered into other transactions, the Corporation first determines if the counterparty is an entity for which a variable interest exists. If no scope exception is applicable and a variable interest exists, the Corporation then evaluates if it is the primary beneficiary of the VIE and whether the entity should be consolidated or not.

Below is a summary of transfers of financial assets to VIEs for which the Corporation has retained some level of continuing involvement:

GNMA

The Corporation typically transfers first lien residential mortgage loans in conjunction with GNMA securitization transactions in which the loans are exchanged for cash or securities that are readily redeemed for cash proceeds and servicing rights. The securities issued through these transactions are guaranteed by the issuer and, as such, under seller/servicer agreements, the Corporation is required to service the loans in accordance with the issuers' servicing guidelines and standards. As of March 31, 2016, the Corporation serviced loans securitized through GNMA with a

principal balance of $1.3 billion.

Trust Preferred Securities

In 2004, FBP Statutory Trust I, a financing trust that is wholly owned by the Corporation, sold to institutional investors $100 million of its variable rate trust-preferred securities. The proceeds of the issuance, together with the proceeds of the purchase by the Corporation of $3.1 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. Also in 2004, FBP Statutory Trust II, a financing trust that is wholly owned by the Corporation, 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 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 Junior Subordinated Deferrable Debentures issued by the Corporation in April 2004 and in September 2004 mature on June 17, 2034 and September 20, 2034, respectively; however, under certain circumstances, the maturity of Junior Subordinated Deferrable Debentures may be shortened (such shortening would result in a mandatory redemption of the variable rate trust-preferred securities). During the first quarter of 2016, the Corporation completed the repurchase of $10 million in trust preferred securities of the FBP Statutory Trust II that were auctioned in a public sale at which the Corporation was invited to participate. The Corporation repurchased and cancelled the repurchased trust preferred securities, resulting in a commensurate reduction in the related Floating Rate Junior Subordinated Debenture. The Corporation's winning bid equated to 70% of the $10 million par value. The 30% discount, plus accrued interest, resulted in a gain of approximately $4.2 million, which is reflected in the statement of income as a "Gain on early extinguishment of debt". During the second quarter of 2015, the Corporation issued 852,831 shares of the Corporation's common stock in exchange for $5.3 million of trust preferred securities (FBP Statutory Trust I), which enabled the Corporation to cancel $5.5 million of the carrying value of the debentures underlying the purchased trust preferred securities. The Collins Amendment of the Dodd-Frank Wall Street Reform and Consumer Protection Act eliminates certain trust-preferred securities from Tier 1 Capital; however, these instruments may remain in Tier 2 capital until the instruments are redeemed or mature. Under the indentures, the Corporation has the right, from time to time, and without causing an event of default, to defer payments of interest on the Junior Subordinated Debentures by extending the interest payment period at any time and from time to time during the term of the subordinated debentures for up to twenty consecutive quarterly periods. Future interest payments are subject to the Federal Reserve approval. The Corporation has elected to defer the

interest payments that were due on quarterly periods since March 2012. The aggregate amount of payments deferred and accrued approximates $29.4 million as of March 31, 2016.

Grantor Trusts

During 2004 and 2005, a third party to the Corporation, referred to in this subsection as the seller, established a series of statutory trusts to effect the securitization of mortgage loans and the sale of trust certificates. The seller initially provided the servicing for a fee, which is senior to the obligations to pay trust certificate holders. The seller then entered into a sales agreement through which it sold and issued the trust certificates in favor of the Corporation's banking subsidiary. Currently, the Bank is the sole owner of the trust certificates; the servicing of the underlying residential mortgages that generate the principal and interest cash flows is performed by another third party, which receives a servicing fee. The securities are variable rate securities indexed to 90-day LIBOR plus a spread. The principal payments from the underlying loans are remitted to a paying agent (servicer) who then remits interest to the Bank; interest income is shared to a certain extent with the FDIC, which has an interest only strip ("IO") tied to the cash flows of the underlying loans and is entitled to receive the excess of the interest income less a servicing fee over the variable rate income that the Bank earns on the securities. This IO is limited to the weighted-average coupon of the securities. The FDIC became the owner of the IO upon its intervention of the seller, a failed financial institution. No recourse agreement exists and the risks from losses on non-accruing loans and repossessed collateral are absorbed by the Bank as the sole holder of the certificates. As of March 31, 2016, the amortized cost and fair value of the Grantor Trusts amounted to $33.0 million and $24.5 million, respectively, with a weighted average yield of 2.34%.

Investment in unconsolidated entity

On February 16, 2011, FirstBank sold an asset portfolio consisting of performing and non-performing construction, commercial mortgage and commercial and industrial loans with an aggregate book value of $269.3 million to CPG/GS, an entity organized under the laws of the Commonwealth of Puerto Rico and majority owned by PRLP Ventures LLC ("PRLP"), a company created by Goldman, Sachs & Co. and Caribbean Property Group. In connection with the sale, the Corporation received $88.5 million in cash and a 35% interest in CPG/GS, and made a loan in the amount of $136.1 million representing seller financing provided by FirstBank. The loan has a seven-year maturity and bears variable interest at 30-day LIBOR plus 300 basis points and is secured by a pledge of all of the acquiring entity's assets as well as the PRLP's 65% ownership interest in CPG/GS. As of March 31, 2016, the carrying amount of the loan was $8.9 million, which was included in the Corporation's Commercial and Industrial loans held for investment portfolio. FirstBank's equity interest in CPG/GS is accounted for under the equity method. When applying the equity method, the Bank follows the Hypothetical Liquidation Book Value ("HLBV") to determine its share of CPG/GS's earnings or loss. The loss recorded in 2014 reduced to zero the carrying amount of the Bank's investment in CPG/GS. No negative investment needs to be reported as the Bank has no legal obligation or commitment to provide further financial support to this entity; thus, no further losses have been or will be recorded on this investment. Any potential increase in the carrying value of the investment in CPG/GS, under the HLBV method, would depend upon how better off the Bank is at the end of the period than it was at the beginning of the period after the waterfall calculation performed to determine the amount of gain allocated to the investors.

Adoption of new accounting requirements and recently issued but not yet effective accounting requirements

FirstBank also provided an $80 million advance facility to CPG/GS to fund unfunded commitments and costs to complete projects under construction, which was fully disbursed in 2011, and a $20 million working capital line of credit to fund certain expenses of CPG/GS. The working capital line of credit was renewed and reduced to $7 million for a period of two years expiring September 2016. During 2012, CPG/GS repaid the outstanding balance of the advance facility to fund unfunded commitments, and the funds became available for rewithdrawal under a one-time revolver agreement. These loans bear variable interest at 30-day LIBOR plus 300 basis points. As of March 31, 2016, the carrying value of the revolver agreement was $15.1million, which was included in the Corporation's commercial and industrial loans held for investment portfolio. The carrying value of the working capital line was $3.7 million as of March 31, 2016.

Cash proceeds received by CPG/GS are first used to cover operating expenses and debt service payments, including those related to the note receivable, the advance facility, and the working capital line, described above, which must be substantially repaid before proceeds can be used for other purposes, including the return of capital to both PRLP and FirstBank. FirstBank will not receive any return on its equity interest until PRLP receives an aggregate amount equivalent to its initial investment and a priority return of at least 12%, resulting in FirstBank’s interest in CPG/GS being subordinate to PRLP’s interest. CPG/GS will then begin to make payments pro rata to PRLP and FirstBank, 35% and 65%, respectively, until FirstBank has achieved a 12% return on its invested capital and the aggregate amount of distributions is equal to FirstBank’s capital contributions to CPG/GS.

The Bank has determined that CPG/GS is a VIE in which the Bank is not the primary beneficiary. In determining the primary beneficiary of CPG/GS, the Bank considered applicable guidance that requires the Bank to qualitatively assess the determination of the primary beneficiary (or consolidator) of CPG/GS based on whether it has both the power to direct the activities of CPG/GS that most significantly impact the entity's economic performance and the obligation to absorb losses of CPG/GS that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Bank determined that it does not have the power to direct the activities that most significantly impact the economic performance of CPG/GS as it does not have the right to manage the loan portfolio, impact foreclosure proceedings, or manage the construction and sale of the property; therefore, the Bank concluded that it is not the primary beneficiary of CPG/GS. As a creditor to CPG/GS, the Bank has certain rights related to CPG/GS; however, these are intended to be protective in nature and do not provide the Bank with the ability to manage the operations of CPG/GS. Since CPG/GS is not a consolidated subsidiary of the Bank and the transaction met the criteria for sale accounting under authoritative guidance, the Bank accounted for this transaction as a true sale, recognizing the cash received, the notes receivable, and the interest in CPG/GS, and derecognizing the loan portfolio sold.

Servicing Assets

The Corporation sells residential mortgage loans to GNMA, which generally securitizes the transferred loans into mortgage-backed securities. Also, certain conventional conforming loans are sold to FNMA or FHLMC with servicing retained. The Corporation recognizes as separate assets the rights to service loans for others, whether those servicing assets are originated or purchased.

The changes in servicing assets are shown below:

	Quarter ended				
	March 31, 2016			March 31, 2015	
		(In thousands)			
Balance at beginning of period	$	24,282		$	22,838
Capitalization of servicing assets		1,161			1,073
Amortization		(798)			(856)
Adjustment to fair value		27			(38)
Other (1)		20			(44)
Balance at end of period	$	24,692		$	22,973

(1) Amount represents the adjustment to fair value related to the repurchase of loans serviced for others.

Impairment charges are recognized through a valuation allowance for each individual stratum of servicing assets. The valuation allowance is adjusted to reflect the amount, if any, by which the cost basis of the servicing asset for a given stratum of loans being serviced exceeds its fair value. Any fair value in excess of the cost basis of the servicing asset for a given stratum is not recognized.

Changes in the impairment allowance were as follows:

	Quarter ended		
	March 31, 2016		March 31, 2015
	(In thousands)		
Balance at beginning of period	$ 136		$ 55
Temporary impairment charges	27		58
Recoveries	(54)		(20)
Balance at end of period	$ 109		$ 93

The components of net servicing income are shown below:

	Quarter ended			
	March 31, 2016		March 31, 2015	
		(In thousands)		
Servicing fees	$	1,862	$	1,764
Late charges and prepayment penalties		142		190
Adjustment for loans repurchased		20		(44)
Other (1)		-		(89)
Servicing income, gross		2,024		1,821
Amortization and impairment of servicing assets		(771)		(894)
Servicing income, net	$	1,253	$	927

(1) Mainly consisted of compensatory fees imposed by GSEs.

The Corporation's servicing assets are subject to prepayment and interest rate risks. The Corporation used constant prepayment rate assumptions for the Corporation's servicing assets for the government-guaranteed mortgage loans of 7.6% and 9.2% for the quarters ended March 31, 2016 and 2015, respectively. For conventional conforming mortgage loans, the Corporation used 8.0% and 9.0%, respectively, and, for the conventional non-conforming mortgage loans, the Corporation used 14.0% for each of the quarters ended March 31, 2016 and 2015. Discount rate assumptions used were 11.5% for government-guaranteed mortgage loans; 9.5% for conventional conforming mortgage loans; and 13.8% for conventional non-conforming mortgage loans for each of the quarters ended March 31, 2016 and 2015.

As of March 31, 2016, fair values of the Corporation's servicing assets were based on a valuation model that incorporates market driven assumptions regarding discount rates and mortgage prepayment rates, adjusted by the particular characteristics of the Corporation's servicing portfolio. The weighted averages of the key economic assumptions used by the Corporation in its valuation model and the sensitivity of the current fair value to immediate 10% and 20% adverse changes in those assumptions for mortgage loans as of March 31, 2016 were as follows:

	(Dollars in thousands)	
Carrying amount of servicing assets	$	24,692
Fair value	$	27,784
Weighted-average expected life (in years)		8.58
Constant prepayment rate (weighted-average annual rate)		10.06%
Decrease in fair value due to 10% adverse change	$	890
Decrease in fair value due to 20% adverse change	$	1,731
Discount rate (weighted-average annual rate)		10.66%

Decrease in fair value due to 10% adverse change	$	1,201	
Decrease in fair value due to 20% adverse change	$	2,309	

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship between the change in assumption and the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the servicing asset is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments), which may magnify or counteract the sensitivities.

NOTE 14 – DEPOSITS

The following table summarizes deposit balances:

	March 31, 2016		December 31, 2015	
	(In thousands)			
Type of account:				
Non-interest bearing checking accounts	$	1,422,346	$	1,336,559
Savings accounts		2,553,268		2,459,186
Interest-bearing checking accounts		1,077,505		1,088,651
Certificates of deposit		2,375,348		2,356,245
Brokered CDs		2,006,313		2,097,483
	$	9,434,780	$	9,338,124

Brokered CDs mature as follows:

	March 31, 2016	
	(In thousands)	
Three months or less	$	254,484
Over three months to six months		379,095
Over six months to one year		612,755
One to three years		700,558
Three to five years		58,719
Over five years		702
Total	$	2,006,313

The following are the components of interest expense on deposits:

	Quarter Ended			
	March 31, 2016		March 31, 2015	
	(In thousands)			
Interest expense on deposits	$	16,480	$	16,359
Accretion of premium from acquisition		(81)		-
Amortization of broker placement fees		858		1,335
Interest expense on deposits	$	17,257	$	17,694

NOTE 15 – SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase (repurchase agreements) consist of the following:

	March, 31 2016			**December 31, 2015**
	(Dollars in thousands)			
Repurchase agreements, interest ranging from 1.96% to 3.70%				
(December 31, 2015: 1.96% to 3.41%) (1)(2)	$	700,000	$	700,000

(1) Reported net of securities purchased under agreements to repurchase (reverse repurchase agreements) by counterparty, when applicable, pursuant to ASC 210-20-45-11.

(2) As of March 31, 2016, includes $600 million with an average rate of 2.88% that lenders have the right to call before their contractual maturities at various dates beginning on July 19, 2016. Subsequent to March 31, 2016, no lender has exercised its call option on repurchase agreements. In addition, $500 million is tied to variable rates.

Repurchase agreements mature as follows:

	March 31, 2016	
	(In thousands)	
Over three months to one year	$	400,000
One year to three years		100,000
Over five years		200,000
Total	$	700,000

As of March 31, 2016 and December 31, 2015, the securities underlying such agreements were delivered to the dealers with which the repurchase agreements were transacted.

Repurchase agreements as of March 31, 2016, grouped by counterparty, were as follows:

(Dollars in thousands) Counterparty	Amount	Weighted-Average Maturity (In Months)
Credit Suisse First Boston	$ 100,000	4
Citigroup Global Markets	300,000	7
Dean Witter / Morgan Stanley	100,000	19
JP Morgan Chase	200,000	70
	$ 700,000	

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NOTE 16 – ADVANCES FROM THE FEDERAL HOME LOAN BANK (FHLB)

The following is a summary of the advances from the FHLB:

		As of March 31, 2016			As of December 31, 2015
		(Dollars in thousands)			
Fixed-rate advances from FHLB, with a weighted-average interest rate of 1.30% (December 31, 2015 - 1.30%)	$	455,000		$	455,000

Advances from FHLB mature as follows:

		March 31, 2016
		(In thousands)
Over three months to six months	$	100,000
Over one year to three years		225,000
Over three to four years		130,000
Total	$	455,000