

FIRST BANCORP /PR/  
Form 8-K  
February 06, 2012

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**Form 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of Earliest Event Reported): February 1, 2012**

**First BanCorp.  
(Exact Name of Registrant as Specified in its Charter)**

<b>Puerto Rico</b>	<b>001-14793</b>	<b>66-0561882</b>
<b>(State or Other Jurisdiction of Incorporation)</b>	<b>(Commission File Number)</b>	<b>(I.R.S. Employer Identification No.)</b>

**1519 Ponce de Leon Ave.**

**P.O. Box 9146** **00908-0146**

**San Juan, Puerto Rico**  
**(Address of Principal Executive Offices) (Zip Code)**

**(787) 729 8200**  
**(Registrant's Telephone Number, including Area Code)**

**Not applicable**  
**(Former name or former address, if changed since last report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

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Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Item 2.02 Results of Operations and Financial Condition.**

On February 1, 2012, First BanCorp. (the “Corporation”) issued a press release announcing its unaudited results of operations for the for the quarter and year ended December 31, 2011. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The Corporation has included in this release the following financial measures that are not recognized under generally accepted accounting principles, which are referred to as non-GAAP financial measures: (i) the calculation of net interest income, interest rate spread and net interest margin rate on a tax-equivalent basis and excluding changes in the fair value of derivative instruments and certain financial liabilities; (ii) the calculation of the tangible common equity ratio and the tangible book value per common share; (iii) the Tier 1 common equity to risk-weighted assets ratio; (iv) adjusted pre-tax, pre-provision income, and (v) certain other financial measures adjusted to exclude the one-time effect in retained earnings of: (a) the conversion of the Series G Preferred Stock into common shares in the fourth quarter of 2011, (b) the issuance of common stock in exchange for the Series A through E preferred stock in 2010; (c) the issuance of Series G Preferred Stock in exchange for the Series F Preferred Stock in 2010 and (d) financial measures that exclude the effect of the transfer of loans to held for sale in 2010 upon the execution of an agreement providing for the strategic sale of loans. Investors should be aware that non-GAAP measures have inherent limitations and should be read only in conjunction with the Corporation’s consolidated financial data prepared in accordance with GAAP.

Net interest income, interest rate spread and net interest margin are reported on a tax-equivalent basis and excluding changes in the fair value of derivative instruments and financial liabilities elected to be measured at fair value (“valuations”). The presentation of net interest income excluding valuations provides additional information about the Corporation’s net interest income and facilitates comparability and analysis. The changes in the fair value of derivative instruments and unrealized gains and losses on liabilities measured at fair value have no effect on interest due or interest earned on interest-bearing liabilities or interest-earning assets, respectively. The tax-equivalent adjustment to net interest income recognizes the income tax savings when comparing taxable and tax-exempt assets and assumes a marginal income tax rate, as described in Exhibit A — Tables 2 and 3 of the press release attached hereto as Exhibit 99.1. Income from tax-exempt earning assets is increased by an amount equivalent to the taxes that would have been paid if this income had been taxable at statutory rates. Management believes that it is a standard practice in the banking industry to present net interest income, interest rate spread and net interest margin on a fully tax-equivalent basis. This adjustment puts all earning assets, most notably tax-exempt securities and certain loans, on a common basis that facilitates comparison of the Corporation’s results to results of its peers.

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The following table reconciles the non-GAAP financial measure “net interest income on a tax-equivalent basis and excluding fair value changes” with net interest income calculated and presented in accordance with GAAP. The table also reconciles the non-GAAP financial measures “net interest spread and margin on a tax-equivalent basis and excluding fair value changes” with net interest spread and margin calculated and presented in accordance with GAAP.

(dollars in thousands)

	<b>Quarter Ended</b>				
	<b>December 31, 2011</b>	<b>September 30, 2011</b>	<b>June 30, 2011</b>	<b>March 31, 2011</b>	<b>December 31, 2010</b>
<b>Net Interest Income (in thousands)</b>					
Interest Income - GAAP	\$ 156,752	\$ 158,542	\$ 163,418	\$ 180,903	\$ 192,806
Unrealized (gain) loss on derivative instruments	(246 )	954	1,185	(345 )	(903 )
Interest income excluding valuations	156,506	159,496	164,603	180,558	191,903
Tax-equivalent adjustment	1,456	1,521	1,504	2,314	4,494
Interest income on a tax-equivalent basis excluding valuations	157,962	161,017	166,107	182,872	196,397
Interest Expense - GAAP	58,209	64,287	68,983	74,624	80,758
Unrealized (loss) gain on derivative instruments and liabilities measured at fair value	(1,992 )	(1,601 )	23	(598 )	(813 )
Interest expense excluding valuations	56,217	62,686	69,006	74,026	79,945
Net interest income - GAAP	\$ 98,543	\$ 94,255	\$ 94,435	\$ 106,279	\$ 112,048

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Net interest income excluding valuations	\$ 100,289	\$ 96,810	\$ 95,597	\$ 106,532	\$ 111,958
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Net interest income on a tax-equivalent basis excluding valuations	\$ 101,745	\$ 98,331	\$ 97,101	\$ 108,846	\$ 116,452
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**Average Balances (in thousands)**

Loans and leases	\$ 10,637,523	\$ 10,832,426	\$ 10,997,295	\$ 11,672,619	\$ 12,185,511
Total securities and other short-term investments	2,665,918	2,787,708	3,550,743	3,588,028	3,863,532
Average Interest-Earning Assets	\$ 13,303,441	\$ 13,620,134	\$ 14,548,038	\$ 15,260,647	\$ 16,049,043

Average Interest-Bearing Liabilities	\$ 11,255,725	\$ 11,944,454	\$ 12,809,375	\$ 13,494,702	\$ 14,036,776
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**Average Yield/Rate**

Average yield on interest-earning assets - GAAP	4.67	4.62	4.51	4.80	4.77
	%	%	%	%	%
Average rate on interest-bearing liabilities - GAAP	2.05	2.14	2.16	2.24	2.28
	%	%	%	%	%
Net interest spread - GAAP	2.62	2.48	2.35	2.56	2.49
	%	%	%	%	%
Net interest margin - GAAP	2.94	2.75	2.60	2.82	2.77
	%	%	%	%	%

Average yield on interest-earning assets excluding valuations	4.67	4.65	4.54	4.79	4.74
	%	%	%	%	%
	1.98	2.08	2.16	2.22	2.26
	%	%	%	%	%

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Average rate on interest-bearing liabilities excluding valuations										
Net interest spread excluding valuations	2.69	%	2.57	%	2.38	%	2.57	%	2.48	%
Net interest margin excluding valuations	2.99	%	2.82	%	2.64	%	2.83	%	2.77	%
Average yield on interest-earning assets on a tax-equivalent basis and excluding valuations	4.71	%	4.69	%	4.58	%	4.85	%	4.86	%
Average rate on interest-bearing liabilities excluding valuations	1.98	%	2.08	%	2.16	%	2.22	%	2.26	%
Net interest spread on a tax-equivalent basis and excluding valuations	2.73	%	2.61	%	2.42	%	2.63	%	2.60	%
Net interest margin on a tax-equivalent basis and excluding valuations	3.03	%	2.86	%	2.68	%	2.89	%	2.88	%