

FIRST BANCORP /PR/  
Form 8-K  
October 26, 2010

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

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**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): October 21, 2010**

**FIRST BANCORP  
(Exact Name of Registrant as Specified in its Charter)**

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**001-14793  
(Commission File Number)**

<b>Puerto Rico (State or Other Jurisdiction of Incorporation)</b>	<b>66-0561882 (I.R.S. Employer Identification No.)</b>
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**1519 Ponce de Leon  
San Juan, Puerto Rico 00908-0146  
(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 October 21, 2010, First BanCorp. (the “Corporation”) issued a press release announcing its unaudited results of operations for the third quarter ended September 30, 2010. 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; and (iv) the adjusted pre-tax, pre-provision income. 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.

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.

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**Reconciliation of GAAP Net Interest Margin and Spread to Non-GAAP Net Interest Margin and Spread on a Tax-Equivalent basis including fair value changes on derivative instruments and liabilities measured at fair value ("valuations")**

	<b>Quarter Ended</b>				
	<b>September 30, 2010</b>	<b>June 30, 2010</b>	<b>March 31, 2010</b>	<b>December 31, 2009</b>	<b>September 30, 2009</b>
<b>Net Interest Income (in thousands)</b>					
Interest Income - GAAP	\$ 204,028	\$ 214,864	\$ 220,988	\$ 243,449	\$ 242,022
Unrealized loss (gain) on derivative instruments	938	487	744	(2,764 )	1,485
Interest income excluding valuations	204,966	215,351	221,732	240,685	243,507
Tax-equivalent adjustment	6,777	7,222	9,912	12,311	12,925
Interest income on a tax-equivalent basis excluding valuations	211,743	222,573	231,644	252,996	256,432
Interest Expense - GAAP	90,326	95,802	104,125	106,152	112,889
Unrealized gain (loss) on derivative instruments and liabilities measured at fair value	(527 )	3,896	(989 )	(247 )	(1,589 )
Interest expense excluding valuations	89,799	99,698	103,136	105,905	111,300
Net interest income - GAAP	\$ 113,702	\$ 119,062	\$ 116,863	\$ 137,297	\$ 129,133
Net interest income excluding	\$ 115,167	\$ 115,653	\$ 118,596	\$ 134,780	\$ 132,207

valuations

Net interest income on a tax-equivalent basis excluding valuations	\$ 121,944	\$ 122,875	\$ 128,508	\$ 147,091	\$ 145,132
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**Average Balances (in thousands)**

Loans and leases	\$ 12,443,055	\$ 13,025,808	\$ 13,569,467	\$ 13,777,928	\$ 13,321,100
Total securities and other short-term investments	4,640,055	5,485,934	5,526,589	5,505,527	6,220,156
Average Interest-Earning Assets	\$ 17,083,110	\$ 18,511,742	\$ 19,096,056	\$ 19,283,455	\$ 19,541,256
Average Interest-Bearing Liabilities	\$ 15,002,168	\$ 16,378,022	\$ 16,910,781	\$ 17,112,556	\$ 17,308,432

**Average Yield/Rate**

Average yield on interest-earning assets - GAAP	4.74	%	4.66	%	4.69	%	5.01	%	4.91	%
Average rate on interest-bearing liabilities - GAAP	2.39	%	2.35	%	2.50	%	2.46	%	2.59	%
Net interest spread - GAAP	2.35	%	2.31	%	2.19	%	2.55	%	2.32	%
Net interest margin - GAAP	2.64	%	2.58	%	2.48	%	2.82	%	2.62	%
Average yield on interest-earning assets excluding valuations	4.76	%	4.66	%	4.71	%	4.95	%	4.94	%
Average rate on interest-bearing	2.37	%	2.44	%	2.47	%	2.46	%	2.55	%

liabilities excluding valuations										
Net interest spread excluding valuations	2.39	%	2.22	%	2.24	%	2.49	%	2.39	%
Net interest margin excluding valuations	2.67	%	2.51	%	2.52	%	2.77	%	2.68	%
Average yield on interest-earning assets on a tax-equivalent basis and excluding valuations	4.92	%	4.82	%	4.92	%	5.21	%	5.21	%
Average rate on interest-bearing liabilities excluding valuations	2.37	%	2.44	%	2.47	%	2.46	%	2.55	%
Net interest spread on a tax-equivalent basis and excluding valuations	2.55	%	2.38	%	2.45	%	2.75	%	2.66	%
Net interest margin on a tax-equivalent basis and excluding valuations	2.83	%	2.66	%	2.73	%	3.03	%	2.95	%

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



(Dollars in thousands)	<b>As of</b>				
	<b>September 30, 2010</b>	<b>June 30, 2010</b>	<b>March 31, 2010</b>	<b>December 31, 2009</b>	<b>September 30, 2009</b>
<b>Tangible Equity:</b>					
Total equity - GAAP	\$ 1,321,979	\$ 1,438,289	\$ 1,488,543	\$ 1,599,063	\$ 1,698,843
Preferred equity	(411,876 )	(930,830 )	(929,660 )	(928,508 )	(927,374 )
Goodwill	(28,098 )	(28,098 )			