FIRST BANCORP /PR/

FORM 10-K
(Annual Report)

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Industry	Regional Banks
Sector	Financial
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13
of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1999	Commission File 001-14793

First BanCorp.
(Exact name of Corporation as specified in its charter)

Puerto Rico	66-0561882
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1519 Ponce de Leon Avenue, Stop 23
Santurce, Puerto Rico 00908
(Address of principal office) (Zip Code)

Corporation's telephone number,
including area code:

(787) 729-8200

Securities registered under Section 12(b)

of the Act:

Common Stock ($1.00 par value) Title of Class	New York Stock Exchange Name of exchange on which registered
Preferred Stock ($25.00 liquidation preference per share) Title of Class	New York Stock Exchange Name of exchange on which registered

Securities registered under Section 12(g)
of the Act:

Not applicable

Indicate by check mark whether the Corporation (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Corporation was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark if disclosure of delinquent filer pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Corporation's knowledge, in definite proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

State the aggregate market value of the voting common stock held by nonaffiliates of the Corporation: $380,673,431 (based on the closing sales price of $17.25 at March 21, 2000 for such shares). Number of shares of Common Stock outstanding as of March 15, 2000:

27,310,652

Documents Incorporated by Reference

(1) Portions of the annual report to security holders for the fiscal year ended December 31, 1999 are incorporated by reference in Part I, II and IV; and (2) Portions of the definite proxy statement filed on March 21, 2000 are incorporated by reference in Part III.

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PART I

Item 1. Business

GENERAL

First BanCorp. (the Corporation) is a publicly owned bank holding company, registered under the Bank Holding Company Act of 1956, as amended and, accordingly, subject to the supervision and regulation by the Federal Reserve Board. The Corporation was incorporated on March 17, 1998 under the laws of the Commonwealth of Puerto Rico to serve as the bank holding company for FirstBank Puerto Rico (FirstBank or the Bank). As a result of this reorganization consummated on October 1, 1998, each of the Bank's outstanding shares of common stock was converted into one share of common stock of the new bank holding company.

Based on total assets, the Corporation is the second largest locally owned bank holding company headquartered in the Commonwealth of Puerto Rico and the third largest depository institution in Puerto Rico. The Corporation had total assets of $4.722 billion, total deposits of $2.565 billion and total stockholders' equity of $294.9 million at December 31, 1999.

The Corporation's only subsidiary, FirstBank, conducts its business through its main office located in San Juan, Puerto Rico, 45 full-service branches in Puerto Rico and three branches in the U.S. Virgin Islands of St. Thomas and St. Croix. The Bank also has four loan origination offices focusing on mortgage loans, two loan origination offices focusing on personal loans and credit cards, and two loan origination offices focusing on auto loans. First chartered in 1948, FirstBank was the first savings and loan association established in Puerto Rico. It has been a stockholder-owned institution since January 1987. Effective at the close of business on October 31, 1994, FirstBank converted to a Puerto Rico chartered commercial bank. The Bank is subject to supervision, examination and regulation by the Office of the Commissioner of Financial Institutions of Puerto Rico (the Commissioner) and the Federal Deposit Insurance Corporation (FDIC), which insures its deposits through the Savings Association Insurance Fund (SAIF). FirstBank has two subsidiaries, First Leasing and Rental Corporation, a vehicle leasing and daily rental company with six offices, and First Federal Finance Corp. D/B/A Money Express "La Financiera," a small loan company with 27 offices.

The Corporation has distinguished itself by providing innovative marketing strategies and novel products to attract clients. Besides the branches and lending offices described above, the Corporation has offered a telephone information service called "Telebanco" since 1983. This was the first telebanking service offered in Puerto Rico. The Corporation's clients have access to an extensive ATM network all over the world. The Corporation was the first in Puerto Rico to open on weekends and the first to offer in-store branches to its clients. The Corporation was also the first banking institution in Puerto Rico with a presence on the Internet. During 2000, First BanCorp. will launch a new, interactive web site where clients will be able to perform all types of banking transactions. The Corporation is committed to continue providing the most efficient and cost effective banking services possible in selected products niches.

The information under the caption "Achievements in 1999" on pages 10 to 12 and the information under Note 33 - Segment Information on pages 71 to 72 of the Corporation's annual report to security holders for the year ended December 31, 1999 is incorporated herein by reference.

SUPERVISION AND REGULATION

Bank Holding Company Activities and Other Limitations. The Corporation is subject to ongoing regulation, supervision, and examination by the Federal Reserve Board, and is required to file with the Federal Reserve Board periodic and annual reports and other information concerning its own business operations and those of its subsidiaries. In addition, under the provisions of the Bank Holding CompanyAct, a bank holding company must obtain Federal Reserve Board approval before it acquires directly or indirectly ownership or control of more than 5% of the voting shares of a second bank. Furthermore, Federal Reserve Board approval must also be obtained before such a company acquires all or substantially all of the assets of a second bank or merges or consolidates with another bank holding company. The Federal Reserve Board also has authority to issue cease and desist orders against holding companies and their non-bank subsidiaries.

A bank holding company is prohibited under the Bank Holding Company Act, with limited exceptions, from engaging, directly or indirectly, in any business unrelated to the business of banking, managing or controlling corporations. One of the exceptions to these prohibitions permits ownership by a bank holding company of the shares of any company if the Federal Reserve Board, after due notice and opportunity for hearing, by regulation or order has determined that the activities of the company in question are so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto.

Under the Federal Reserve Board policy, a bank holding company such as the Corporation is expected to act as a source of financial strength to its main banking subsidiaries and to also commit support to them. This support may be required at times when, absent such policy, the bank holding company might not otherwise provide such support. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to the federal bank regulatory agency to maintain capital of a subsidiary bank will be assumed by the bankruptcy trustee and be entitled to a priority of payment. In addition, any capital loans by a bank holding company to any of its subsidiary banks must be subordinated in right of payment to deposits and to certain other indebtedness of such subsidiary bank. FirstBank is currently the only depository institution subsidiary of the Corporation.

The Gramm-Leach-Bliley Act, signed into law on November 12, 1999, revises and expands the existing provisions of the Bank Holding Company Act by including a new section that permits a bank holding company to elect to become a financial holding company to engage in a full range of financial activities. The qualification requirements and the process for a bank holding company that elects to be treated as a financial holding company requires that all the subsidiary banks controlled by the bank holding company at the time of election to become a financial holding company must be and remain at all times well capitalized and well managed.

The Gramm-Leach-Bliley Act further requires that in the event that the bank holding company elects to become a financial holding company, the election must be made by filing a written declaration with the appropriate Federal Reserve Bank and comply with the following: (i) state that the bank holding company elects to become a financial holding company; (ii) provide the name and head office address of bank holding company and each depository institution controlled by the bank holding company; (iii) certify that all depository institutions controlled by the bank holding company are well capitalized as of the date the bank holding company files for the election; (iv) provide the capital ratios for all relevant capital measures as of the close of the previous quarter for each depository institution controlled by the bank holding company; and (v) certify that all depository institutions controlled by the bank holding company are well managed as of the date the bank holding company files the election. The bank holding company must have also achieved at least a rating of satisfactory record of meeting community credit needs under the Community Reinvestment Act during the institution's most recent examination.

The financial holding companies may engage, directly or indirectly, in any activity that is determined to be (i) financial in nature, (ii) incidental to such financial activity, or (iii) complementary to a financial activity and does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. The Gramm-Leach-Bliley Act, specifically provides that the following activities have been determined to be "financial in nature": (a) Lending, trust and other banking activities; (b) Insurance activities; (c) Financial or economic advice or services; (d) Pooled investments; (e) Securities underwriting and dealing; (f) Existing bank holding company domestic activities; (g) Existing bank holding company foreign activities; and (h) Merchant banking activities.

In addition, the Gramm-Leach-Bliley Act specifically gives the Federal Reserve Board the authority, by regulation or order, to expand the list of "financial" or "incidental" activities, but requires consultation with the U.S. Treasury, and gives the Federal Reserve Board authority to allow a financial holding company to engage in any activity that is "complementary" to a financial activity and does not "pose a substantial risk to the safety and soundness of depository institutions or the financial system generally."

State Chartered Non-Member Bank. FirstBank is subject to extensive regulation and examination by the Commissioner and the FDIC, and subject to certain requirements established by the Federal Reserve Board. The federal and state laws and regulations which are applicable to banks regulate, among other things, the scope of their business, their investments, their reserves against deposits, the timing and availability of deposited funds and the nature and amount of and collateral for certain loans. In addition to the impact of regulations, commercial banks are affected significantly by the actions of the Federal Reserve Board as it attempts to control the money supply and credit availability in order to influence the economy.

Dividend Restrictions. The Corporation is subject to certain restrictions generally imposed on Puerto Rico corporations (i.e., that dividends may be paid out only from the Corporation's net assets in excess of capital or in the absence of such excess, from the Corporation's net earnings for such fiscal year and/or the preceding fiscal year). The Federal Reserve Board has also issued a policy statement that provides that bank holding companies should generally pay dividends only out of current operating earnings.

At present, the principal source of funds for the Corporation is earnings from FirstBank. The ability of FirsBank to pay dividends on its common stock is restricted by the Banking Law (as defined herein), the Federal Deposit Insurance Act and FDIC regulations. In general terms, the Puerto Rico Banking Law provides that when the expenditures of a bank are greater than receipts, the excess of expenditures over receipts shall be charged against undistributed profits of the bank and the balance, if any, shall be charged against the required reserve fund of the bank. If there is no sufficient reserve fund to cover such balance in whole or in part, the outstanding amount shall be charged against the bank's capital account. The Puerto Rico Banking Law provides that until said capital has been restored to its original amount and the reserve fund to 20% of the original capital, the bank may not declare any dividends.

In general terms, the Federal Deposit Insurance Act and the FDIC regulations restrict the payment of dividend when a bank is undercapitalized, when a bank has failed to pay insurance assessments, or when there are safety and soundness concerns regarding such bank.

Limitations on Transactions with Affiliates. Transactions between financial institutions such as the Bank and any affiliate are governed by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a financial institution is any company or entity, which controls, is controlled by or is under common control with the financial institution. In a holding company context, the parent bank holding company and any companies which are controlled by such parent holding company are affiliates of the financial institution. Generally, Sections 23A and 23B of the Federal Reserve Act (i) limit the extent to which the financial institution or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such institution's capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to a non-affiliate. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and other similar transactions.

The Gramm-Leach-Bliley Act amended several provisions of section 23A and 23B of the Federal Reserve Act. The amendments provide that financial subsidiaries of banks are treated as affiliates for purposes of sections 23A and 23B of the Federal Reserve Act, but the amendment provides that (i) the 10% capital limit on transactions between the bank and such financial subsidiary as an affiliate is not applicable, and (ii) the investment by the bank in the financial subsidiary does not include retained earnings in the financial subsidiary. Certain anti-evasion provisions have been included that relate to the relationship between any financial subsidiary of a bank and sister companies of the bank: (1) any purchase of, or investment in, the securities of a financial subsidiary by any affiliate of the parent bank is considered a purchase or investment by the bank; or (2) if the Federal Reserve Board determines that such treatment is necessary, any loan made by an affiliate of the parent bank to the financial subsidiary is to be considered a loan made by the parent bank.

In addition, Sections 22(h) and (g) of the Federal Reserve Act place restrictions on loans to executive officers, directors and principal stockholders. Under Section 22(h) of the Federal Reserve Act loans to a director, an executive officer and to a greater than 10% stockholder of a financial institution, and certain affiliated interests of these, may not exceed, together with all other outstanding loans to such person and affiliated interests, the financial institution's loans to one borrower limit, generally equal to 15% of the institution's unimpaired capital and surplus. Section 22(h) of the Federal Reserve Act also requires that loans to directors, executive officers and principal stockholders be made on terms substantially the same as offered in comparable transactions to other persons and also requires prior board approval for certain loans. In addition, the aggregate amount of extensions of credit by a financial institution to insiders cannot exceed the institution's unimpaired capital and surplus. Furthermore, Section 22(g) of the Federal Reserve Act places additional restrictions on loans to executive officers.

Capital Requirements. The Federal Reserve Board has adopted capital adequacy guidelines pursuant to which it assesses the adequacy of capital in examining and supervising a bank holding company and in analyzing applications to it under the Bank Holding Company Act. The Federal Reserve Board capital adequacy guidelines generally require bank holding companies to maintain total capital equal to 8% of total risk-adjusted assets, with at least one-half of that amount consisting of Tier I or core capital and up to one-half of that amount consisting of Tier II or supplementary capital. Tier I capital for bank holding companies generally consists of the sum of common stockholders' equity and perpetual preferred stock, subject in the case of the latter to limitations on the kind and amount of such stocks which may be included as Tier I capital, less goodwill and, with certain exceptions, intangibles. Tier II capital generally consists of hybrid capital instruments, perpetual preferred stock which is not eligible to be included as Tier I capital; term subordinated debt and intermediate-term preferred stock; and, subject to limitations, generally allowances for loan losses. Assets are adjusted under the risk-based guidelines to take into account different risk characteristics, with the categories ranging from 0% (requiring no additional capital) for assets such as cash to 100% for the bulk of assets which are typically held by a bank holding company, including multi-family residential and commercial real estate loans, commercial business loans and commercial loans. Off-balance sheet items also are adjusted to take into account certain risk characteristics.

In addition to the risk-based capital requirements, the Federal Reserve Board requires bank holding companies to maintain a minimum leverage capital ratio of Tier I capital to total assets of 3.0%. Total assets for this purpose does not include goodwill and any other intangible assets and investments that the Federal Reserve Board determines should be deducted from Tier I capital. The Federal Reserve Board has announced that the 3.0% Tier I leverage capital ratio requirement is the minimum for the top-rated bank holding companies without a supervisory, financial or operational weaknesses or deficiencies or those which are not experiencing or anticipating significant growth. Other bank holding companies will be expected to maintain Tier I leverage capital ratios of at least 4.0% or more, depending on their overall condition. At December 31, 1999, the Corporation exceeded each of its capital requirements and was a well-capitalized institution as defined in the Federal Reserve Board regulations.

FDIC Capital Requirements. The FDIC has promulgated regulations and adopted a statement of policy regarding the capital adequacy of state-chartered non-member banks like the Bank. These requirements are substantially similar to those adopted by the Federal Reserve Board regarding bank holding companies, as described above.

The FDIC also requires that banks meet a risk-based capital standard. The risk-based capital standard for banks requires the maintenance of total capital (which is defined as Tier I capital and supplementary (Tier 2) capital) to risk weighted assets of 8%. In determining the amount of risk-weighted of 0% to 100%, based on the risks the FDIC believes are inherent in the type of asset or item. The components of Tier I capital are equivalent to those discussed above under the 3% leverage capital standard. The components of supplementary capital include certain perpetual preferred stock, certain mandatory convertible securities, certain subordinated debt and intermediate preferred stock and generally allowances for loan and lease losses. Allowance for loan and lease losses includable in supplementary capital is limited to a maximum of 1.25% of risk-weighted assets. Overall, the amount of capital counted toward supplementary capital cannot exceed 100% of core capital.

The FDIC's capital regulations establish a minimum 3.0% Tier I capital to total assets requirement for the most highly-rated state-chartered, non-member banks, with an additional cushion of at least 100 to 200 basis points for all other state-chartered, non-member banks, which effectively will increase the minimum Tier I leverage ratio for such other banks to 4.0% to 5.0% or more. Under the FDIC's regulation, the highest-rated banks are those that the FDIC determines are not anticipating or experiencing significant growth and have well diversified risk, including no undue interest rate risk exposure, excellent asset quality, high liquidity, good earnings and, in general, which are considered a strong banking organization and are rated composite I under the Uniform Financial Institutions Rating System. Leverage or core capital is defined as the sum of common stockholders' equity including retained earnings, noncumulative perpetual preferred stock and related surplus, and minority interests in consolidated subsidiaries, minus all intangible assets other than certain qualifying supervisory goodwill and certain purchased mortgage servicing rights. At December 31, 1999, the Bank exceeded each of its capital requirements and was a well-capitalized institution as defined in the FDIC regulations.

Activities and Investments. The activities and equity investments of FDIC-insured, state-chartered banks such as the Bank are generally limited to those that are permissible for national banks. Under regulations dealing with equity investments, an insured state bank generally may not directly or indirectly acquire or retain any equity investments of a type, or in an amount, that is not permissible for a national bank. An insured state bank is not prohibited from, among other things, (i) acquiring or retaining a majority interest in a subsidiary, (ii) investing as a limited partner in a partnership the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank's total assets, (iii) acquiring up to 10% of the voting stock of a company that solely provides or reinsures directors', trustees' and officers' liability insurance coverage or bankers' blanket bond group insurance coverage for insured depository institutions, and (iv) acquiring or retaining the voting shares of a depository institution if certain requirements are met. In addition, an insured state-chartered bank may not, directly, or indirectly through a subsidiary, engage as "principal" in any activity that is not permissible for a national bank unless the FDIC has determined that such activity would pose no risk to the insurance fund of which it is a member and the bank is in compliance with applicable regulatory capital requirements. Any insured state-chartered bank directly or indirectly engaged in any activity that is not permitted for a national bank must cease the impermissible activity.

Puerto Rico Banking Law. As a commercial bank organized under the laws of Commonwealth, FirstBank is subject to supervision, examination and regulation by the Commissioner pursuant to the Puerto Rico Banking Law of 1933, as amended (the Banking Law). The Banking Law contains provisions governing the incorporation and organization, rights and responsibilities of directors, officers and stockholders as well as the corporate powers, lending limitations, capital requirements, investment requirements and other aspects of the Bank and its affairs. In addition, the Commissioner is given extensive rule making power and administrative discretion under the Banking Law.

The Banking Law authorizes Puerto Rico commercial banks to conduct certain financial and related activities directly or through subsidiaries, including finance leasing of personal property and operating a small loan company.

The Banking Law requires every bank to maintain a legal reserve which shall not be less than twenty percent (20%) of its demand liabilities, except government deposits (federal, state and municipal) which are secured by actual collateral. The reserve is required to be composed of any of the following securities or combination thereof: (1) legal tender of the United States; (2) checks on banks or trust companies located in any part of Puerto Rico, to be presented for collection during the day following that on which they are received, and (3) money deposited in other banks provided said deposits are authorized by the Commissioner, subject to immediate collection.

The Banking Law permits Puerto Rico commercial banks to make loans to any one person, firm, partnership or corporation, up to an aggregate amount of fifteen percent (15%) of paid-in capital and reserve fund of the commercial bank. If such loans are secured by collateral worth at least twenty-five percent (25%) more than the amount of the loan, the aggregate maximum amount may reach one third of the paid-in capital of the commercial bank, plus its reserve fund. There are no restrictions under the Banking Law on the amount of loans which are wholly secured by bonds, securities and other evidences of indebtedness of the Government of the United States, of the Commonwealth of Puerto Rico, or by bonds, not in default, of municipalities or instrumentalities of the Commonwealth of Puerto Rico.

The Banking Law also prohibits Puerto Rico commercial banks from making loans secured by their own stock, and from purchasing their own stock, unless such purchase is made pursuant to a stock repurchase program approved by the Commissioner or is necessary to prevent losses because of a debt previously contracted in good faith. The stock so purchased by the Puerto Rico commercial bank must be sold by the bank in a public or private sale within one year from the date of purchase.

The Banking Law provides that no officers, directors, agents or employees of a Puerto Rico commercial bank may serve or discharge a position of officer, director, agent or employee of another Puerto Rico commercial bank, financial company, savings and loan association, trust company, company engaged in granting mortgage loans or any other institution engaged in the money lending business in Puerto Rico. This prohibition is not applicable to the subsidiaries of a Puerto Rico commercial bank.

The Banking Law requires that Puerto Rico commercial banks strike each year a general balance of their operations, and to submit such balance for approval to a regular general meeting of stockholders, together with an explanatory report thereon. The Banking Law also requires that at least ten percent (10%) of the yearly net income of a Puerto Rico commercial bank be credited annually, to a reserve fund. This apportionment is required to be done every year until such reserve fund shall be equal to the total paid in capital of the bank.

The Banking Law also provides that when the expenditures of a Puerto Rico commercial bank are greater than receipts, the excess of the expenditures over receipts shall be charged against the undistributed profits of the bank, and the balance, if any, shall be charged against the reserve fund, as a reduction thereof. If there is no reserve fund sufficient to cover such balance in whole or in part, the outstanding amount shall be charged against the capital account and no dividend shall be declared until said capital has been restored to its original amount and the reserve fund to twenty percent (20%) of the original capital.

The Finance Board, which is composed of the Commissioner, the Secretary of the Treasury, the Secretary of Commerce, the Secretary of Consumer Affairs, the President of the Housing Bank, the President of the Government Development Bank of Puerto Rico, and three public interest representatives, has the authority to regulate the maximum interest rates and finance charges that may be charged on loans to individuals and unincorporated businesses in Puerto Rico. The current regulations of the Finance Board provide that the applicable interest rate on loans to individuals and unincorporated businesses, including real estate development loans but excluding certain other personal and commercial loans secured by mortgages on real estate properties, is to be determined by free competition. Recent Regulations adopted by the Finance Board deregulated the maximum finance charges on retail installment sales contracts, and for credit card purchases. These regulations do not set a maximum rate for charges on retail installment sales contracts and for credit card purchases and set aside previous regulations which regulated these maximum finance charges. Furthermore, there is no maximum rate set for installment sales contracts involving motor vehicles, commercial, agricultural and industrial equipment, commercial electric appliances and insurance premiums.

MARKET AREA AND COMPETITION

Puerto Rico, where the banking market is highly competitive, is the main geographic service area of the Corporation. At December 31, 1999, Puerto Rico had 17 banking institutions with a total of approximately $49 billion in assets according to industry statistics published by the Commissioner. The Corporation ranked third based on total assets at December 31, 1999. The other largest banks in order of size were Banco Popular de Puerto Rico and Banco Santander Puerto Rico. Puerto Rico banks are subject to the same federal laws, regulations and supervision that apply to similar institutions on the United States mainland.

In addition, the Corporation competes with brokerage firms with retail operations, credit unions, cooperatives, small loan companies and mortgage banks in Puerto Rico.

The Corporation encounters intense competition in attracting and retaining deposits and in its consumer and commercial lending activities. The Corporation competes for loans with other financial institutions, some of which are larger and have available resources greater than those of the Corporation. There can be no assurance that in the future the Corporation will be able to continue to increase its deposit base or originate loans in the manner or on the terms on which it has done so in the past.

Management believes that the Corporation has been able to compete effectively for deposits and loans by offering a variety of transaction account products and loans with competitive features, by pricing its products at competitive interest rates and by offering convenient branch locations and emphasizing the quality of its service. The Corporation's ability to originate loans depends primarily on the rates and fees charged and the service it provides to its borrowers in making prompt credit decisions.

FINANCIAL CONDITION

The Corporation's total assets at December 31, 1999 amounted to $4,721.6 million, $704.2 million over the $4,017.4 million at December 31, 1998.

The following table sets forth the maturity distribution of earning assets at December 31, 1999:

	As of December 31, 1999 Maturities					
		After one year through five years		After five years		
	One year or less	Fixed interest rates	Variable interest rates	Fixed interest rates	Variable interest rates	Total
	(In thousands)					
Money market securities	$ 34,031			$ 1,186		$ 35,217
Investment and trading securities	283,037	$ 28,817	$ 2,454	1,439,595	$ 22,043	1,775,946
Loans:						
Residential mortgage	12,555	53,080	1,508	400,639	5,781	473,563
Construction	706		773		130,589	132,068
Commercial and commercial real estate	138,669	45,326	179,490	88,218	575,357	1,027,060
Lease financing	16,102	69,590				85,692
Consumer	393,214	599,479		34,292		1,026,985
Total Loans	561,246	767,475	181,771	523,149	711,727	2,745,368
Total	$878,314	$796,292	$184,225	$1,963,930	$733,770	$4,556,531

LENDING ACTIVITIES

At December 31, 1999 First BanCorp.'s lending activities include total commercial loans of $1,159.1 million (42% of total loans), total consumer loans of $1,112.7 million (41% of total loans), and total residential mortgage loans of $473.6 million (17% of total loans). The Corporation's portfolio of commercial loans is composed in its majority of asset based financing and commercial mortgage loans. Total commercial loans include $371.6 million in commercial real estate loans and $132.1 million in construction loans. . The consumer loan portfolio consists principally of auto loans, personal loans and credit cards. Finance leases of $85.7 million, which are included in the total amount of consumer loans, are mostly composed of loans to individuals to finance the acquisition of an auto.

The following table sets forth the composition of First BanCorp.'s total loan at the dates indicated.

	1999	1998	1997	1996	1995
			(In thousands)		
Residential real estate loans:					
Secured by first mortgages:					
Conventional	$395,885	$237,561	$223,098	$224,253	$231,744
Insured by government agencies:					
Federal Housing Administration and Veterans Administration	6,543	8,185	10,176	9,282	12,418
Puerto Rico Housing Corporation and Finance Agency	32,928	38,516	44,073	50,016	55,325
Secured by second mortgages	5,706	4,956	14,171	14,375	23,208
	441,062	289,218	291,518	297,926	322,695
Deferred net loan fees	(5,293)	(6,848)	(9,138)	(8,531)	(8,461)
Residential real estate loans	435,769	282,370	282,380	289,395	314,234
Commercial loans:					
Construction, land acquisition and land improvements	288,302	161,498	15,400	12,407	12,088
Undisbursed portion of loans in process	(156,234)	(98,535)	(6,121)	(2,198)	(2,855)
Construction loans	132,068	62,963	9,279	10,209	9,233
Commercial loans	655,417	368,549	235,571	174,770	156,369
Commercial mortgage	371,643	332,219	306,734	256,227	210,645
Commercial loans	1,159,128	763,731	551,584	441,206	376,247
Finance leases	85,692	52,214	42,500	58,481	32,965
Consumer and other loans:					
Personal	435,752	472,588	676,965	749,732	619,549
Auto	532,242	512,116	512,938	510,083	329,296
Boat	37,018	32,209	29,145	29,458	30,168
Credit card	168,045	125,956	116,734	109,259	79,164
Home equity reserve	2,657	3,385	4,282	5,828	6,811
Other	106	128	148	651	795
Unearned finance interest	(148,836)	(145,284)	(267,599)	(305,870)	(238,146)
Consumer and other loans	1,026,985	1,001,098	1,072,613	1,099,141	827,636
Loans receivable	2,707,574	2,099,413	1,949,077	1,888,223	1,551,083
Loans held for sale	37,794	20,642	10,225	7,851	5,523
Total loans	2,745,368	2,120,054	1,959,302	1,896,074	1,556,606
Allowance for loan losses	(71,784)	(67,854)	(57,712)	(55,254)	(55,009)
Total loans-net	$2,673,584	$2,052,200	$1,901,590	$1,840,821	$1,501,597

The following table sets forth the composition of First BanCorp.'s total loan portfolio before the allowance for loan losses and the weighted average taxable equivalent interest rates of loans in each category at December 31, 1999.

	December 31, 1999	
	(In thousands)	Weighted average rate
Residential real estate loans	$ 473,563	8.94%
Construction loans	132,068	8.88%
Commercial and commercial real estate loans	1,027,060	8.15%
Finance leases	85,692	12.41%
Consumer and other loans		
Auto	430,798	12.65%
Personal	391,330	16.79%
Credit card	168,045	17.95%
Boat	34,049	10.47%
Home equity reserve loans	2,657	12.88%
Other	106	8.15%
Total consumer and other loans	1,026,985	15.02%
Total	$ 2,745,368	11.02%

Loan Activity

The following table sets forth certain additional data related to the Corporation's loan portfolio net of the allowance for loan losses for the dates indicated:

	For the year ended December 31,				
	1999	1998	1997	1996	1995
	(Dollars in thousands)				
Beginning balance	$2,052,200	$1,901,590	$1,840,821	$1,501,597	$1,463,860
Residential real estate loans originated	216,713	93,552	133,047	98,379	91,739
Commercial loans originated(1)	623,590	307,009	124,121	79,308	82,944
Finance leases originated	51,618	34,427	684	47,975	37,967
Consumer loans originated	515,348	371,333	569,620	823,884	663,056
Total loans originated	1,407,269	806,321	827,472	1,049,546	875,706
Sales of loans	(1,267)		(1,250)		(360,428)
Repayments and securitization of loans into mortgage backed securities	(719,964)	(559,727)	(665,175)	(654,450)	(436,616)
Other decreases(2)	(64,654)	(95,984)	(100,278)	(55,872)	(40,925)
Net increase	621,384	150,610	60,769	339,224	37,737
Ending balance	$2,673,584	$2,052,200	$1,901,590	$1,840,821	$1,501,597
Percentage increase	30.28%	7.92%	3.30%	22.59%	2.58%

(1) Includes commercial real estate and construction loans.

(2) Includes the change in the allowance for loan losses and cancellation of loans due to the repossession of the collateral.

INVESTMENT ACTIVITIES

The Corporation's investments are managed by the Treasury and Investment Division, under the supervision of the Senior Vice President, Treasury and Investments, who reports to the Corporation's Senior Executive Vice President and Chief Financial Officer. Investment policy is set by the Corporation's Asset Liability Management and Investment Committee (the ALCO), which includes the President and Chief Executive Officer, the Senior Executive Vice President and Chief Financial Officer, the Senior Executive Vice President and Chief Lending Officer, the Executive Vice President - Sales, Distribution and Mortgage Banking, the Senior Vice President - Treasury and Investments, and the Corporation's Economist. Significant investment transactions are reported to the ALCO.

The Corporation's investment policy is designed primarily to provide a portfolio of high credit quality while seeking high levels of net interest income within acceptable limits of interest rate risk, credit risk, capital and liquidity. Under the Corporation's current policy, the Treasury and Investments Division is authorized to purchase and sell federal funds, certificates of deposit in other banks, bankers' acceptances of commercial banks that are members of the FDIC, mortgage backed securities, U.S. and Puerto Rico obligations, stocks and other investments. In addition, the Treasury and Investments Division is authorized to invest in securities purchased under agreements to resell. As part of the Corporation's asset and liability management, the Treasury and Investments Division also engages in hedging activities as approved by the Board of Directors and as set forth in the Corporation's hedging policy monitored by the ALCO.

SOURCES OF FUNDS

First BanCorp.'s principal funding sources are branch deposits, collateralized deposits, federal funds purchased and securities sold under agreements to repurchase, and notes. Through its branch banking system First BanCorp. offers individual non-interest bearing checking accounts, savings accounts, personal interest-bearing checking accounts, certificates of deposit, IRA accounts and commercial non-interest bearing checking accounts.

Deposit Accounts

Deposits represent First BanCorp.'s largest source of funding. The Corporation's deposit accounts are insured up to applicable limits by the SAIF. Management makes retail deposit pricing decisions periodically through the ALCO, which adjusts the rates paid on retail deposits in response to general market conditions and local competition. Pricing decisions take into account the rates being offered by other local banks, LIBOR and mainland United States interest rates. The following table presents the amount and weighted average interest rates of deposit accounts as of each date indicated in the categories set forth below, including the percentage of total assets represented by those deposits.

	Weighted average rates at December 31, 1999	December 31, 1999	1998	1997
		(Dollars in thousands)		
Non-interest bearing checking accounts		$ 211,896	$ 173,104	$ 140,099
Saving accounts	2.93%	447,946	416,424	403,129
Interest bearing checking accounts	3.39%	162,601	130,883	121,452
Certificate accounts	5.60%	1,742,978	1,054,634	929,955
Total		$2,565,422	$1,775,045	$1,594,635
Weighted average rate on interest bearing deposits	4.94%			
Total deposits as a percentage of total assets		54.33%	44.18%	47.92%

Certificate accounts include institutional deposits which consist mainly of brokered certificate of deposits, and certificates issued to agencies of the Government of Puerto Rico. FDIC regulations adopted under FDICIA govern the receipt of brokered deposits. Under these regulations, a bank cannot accept, roll over or renew brokered deposits, which term is defined also to include any deposit with an interest rate more than 75 basis points above prevailing rates, unless (i) it is well capitalized or (ii) it is adequately capitalized and receives a waiver from the FDIC. The Bank has no such restrictions since it is a well capitalized institution.

The following table presents a maturity summary of certificates of deposits with balances of $100,000 or more at December 31, 1999.

	(In thousands)
Three months or less	$ 439,795
Over three months to six months	237,927
Over six months to one year	246,672
Over one year	358,689
Total	$1,283,083

Borrowings

The following table presents the amount and weighted average interest rates of borrowings as of each date indicated in the categories set forth below.

	Weighted average rates at December 31, 1999	December 31, 1999	1998	1997
		(Dollars in thousands)		
Borrowings:				
Federal funds purchased and securities sold under agreements to repurchase	5.38%	$1,447,732	$1,620,630	$ 965,869
FHLB-N.Y. advances	5.96%	50,000	2,600	29,000
Notes payable	5.59%	55,500	118,100	132,350
Other short-term borrowings	6.20%	152,484	86,595	231,505
Subordinated notes	7.72%	93,594	99,496	99,423
Total	5.60%	$1,799,310	$1,927,421	$1,458,147
Total borrowed funds as a percentage of total assets		38.11%	47.98%	43.82%

Weighted average interest rate during the period:			
Securities sold under agreements to repurchase	5.07%	5.07%	5.08%
Other short-term borrowings	6.29%	6.39%	6.10%

CAPITAL

At December 31, 1999, total stockholders' equity for the Corporation amounted to $294.9 million, an increase of $24.5 million as compared to $270.4 million at December 31, 1998.

Employees

At December 31, 1999 the Corporation employed 1,680 persons. None of its employees are represented by a collective bargaining group. The Corporation considers its employees' relations to be good.

Item 2. Properties

At December 31, 1999 First BanCorp. owned three main offices premises, 13 branch and office premises, four loan centers and an auto lot. All these premises are located in Puerto Rico. In addition, at December 31, 1999, the Corporation leased in Puerto Rico 32 branch premises, 31 loan and office centers and seven other facilities. The Corporation leased three branch premises in the Virgin Islands. Management believes that the Corporation's properties are well maintained and are suitable for the Corporation's business as presently conducted.

Main offices:

1. Headquarters Offices - Located at First Federal Building, 1519 Ponce de Leon Avenue, Santurce, Puerto Rico, a 16 story office building. Approximately 50% of the building and an underground three levels parking lot are owned by the Corporation.

2. EDP & Operations Center - A five story structure located at 1506 Ponce de Leon Avenue, Santurce, Puerto Rico. These facilities are fully occupied by the Corporation.

3. Personal Lending and Branch Administration Center - A three story building with a three levels parking lot located at 876 Munoz Rivera Avenue, corner Jesus T. Pinero Avenue, Hato Rey, Puerto Rico. These facilities are fully occupied by the Corporation.

Item 3. Legal Proceedings

The information required herein is incorporated by reference from page 73 of the annual report to security holders for the year ended December 31, 1999 (see Exhibit 13 to this Form 10-K).

Item 4. Submission of Matters to a Vote of Security Holders

No matters were voted upon during the fourth quarter of 1999.

PART II

Item 5. Market for Corporation's Common Equity and Related Stockholder Matters

a) Market Information

The information required herein is incorporated by reference from page 32 of the annual report to security holders for the year ended December 31, 1999.

b) Holders

The information required herein is incorporated by reference from page 32 of the annual report to security holders for the year ended December 31, 1999.

c) Dividends

The Corporation has a policy providing for the payment of quarterly cash dividends on its outstanding shares of common stock. Accordingly, the Corporation declared a cash dividend of $0.06 per share for each quarter of 1997, $0.075 per share for each quarter of 1998 and $0.09 per share for each quarter of 1999.

The Puerto Rico Internal Revenue Code requires the withholding of income tax from dividends income derived by resident U.S. citizens, special partnerships, trusts and estates and by non-resident U.S. citizens, custodians, partnerships, and corporations from sources within Puerto Rico.

Resident U.S. Citizens

A special tax of 10% is imposed on eligible dividends paid to individuals, special partnerships, trusts and estates to be applied to all distributions unless the taxpayer specifically elects otherwise. Once this election is made it is irrevocable. However, the taxpayer can elect to include in gross income the eligible distributions received and take a credit for the amount of tax withheld. If he does not make this election in his tax return, then he can exclude from his gross income the distributions received and reported without claiming the credit for the tax withheld.

Nonresident U.S. Citizens

Have the right to certain exemptions when a Withholding Tax Exemption Certificate (Form 2732) is properly filled-in and filed with the Corporation. The Corporation as withholding agent is authorized to withhold a tax of 10% only from the excess of the income paid over the applicable tax-exempt amount.

U.S. Corporations and Partnerships

Corporations or partnerships not organized under Puerto Rico laws that have not engaged in business or trade in Puerto Rico during the taxable year in which the dividend is paid are subject to the 10% dividend tax withholding.

Corporations or partnerships not organized under the laws of Puerto Rico that have engaged in trade or business in Puerto Rico corporations or partnerships are not subject to the 10% retention, but they must declare the dividend as gross income in their Puerto Rico income tax return.

Item 6. Selected Financial Data

The information required herein is incorporated by reference from page 17 of the annual report to security holders for the year ended December 31, 1999.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required herein is incorporated by reference from page 18 through 32 of the annual report to security holders for the year ended December 31, 1999.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required herein is incorporated by reference from page 33 of the annual report to security holders for the year ended December 31, 1999.

Item 8. Financial Statements and Supplementary Data

The information required herein is incorporated by reference from page 35 through 75 of the annual report to security holders for the year ended December 31, 1999.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART III

Item 10. Directors, Executive Officers and Control Persons of the Corporation

The information required herein is incorporated by reference to the information under the captions "Information with respect to nominees for directors of the Company, directors whose terms continue and executive officers of the Company" and "Section 16(a) Compliance" in the Corporation's definite proxy statement filed on March 21, 2000.

Item 11. Executive Compensation

The information required herein is incorporated by reference to the information under the captions "Compensation of Directors", "Compensation of Executive Officers", "Stock Options Plans", "Options/Grants in Last Fiscal Year", "Aggregate Options/SAR Exercises in Last Fiscal Year and Fiscal Year-End Options/SAR Values", "Employment Agreements", "Defined Contributions Retirement Plan", "Report of the Compensation Committee", "Compensation Committee Interlocks and Insider Participation", "Other Employment Benefits" and "Performance of Common Stock" in the definite proxy statement filed on March 21, 2000.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required herein is incorporated by reference to the information under the caption "Benefical Ownership of Securities" in the Corporation's definite proxy statement filed on March 21, 2000.

Item 13. Certain Relationships and Related Transactions

The information required herein is incorporated by reference to the information under the caption "Business Transactions Between the Company and its Subsidiaries and Executive Officers and Directors" in the Corporation's definite proxy statement filed on March 21, 2000.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) The following financial statements are included in Item 8 thereof:

Report of independent accountants

Consolidated Statements of Financial Condition at December 31, 1999 and 1998.

Consolidated Statements of Income for Each of the Three Years in the Period Ended December 31, 1999.

Consolidated Statements of Changes in Stockholders' Equity for Each of the Three Years in the Period Ended December 31, 1999.

Consolidated Statements of Comprehensive Income for each of the Three Years in the Period Ended December 31, 1999.

Consolidated Statements of Cash Flows for Each of the Three Years in the Period Ended December 31, 1999.

Notes to Consolidated Financial Statements.

(2) Financial statement schedules.

Schedules are omitted because they are not applicable or because the required information is contained in the Consolidated Financial Statements described in (a)(1) above or in the Notes thereto.

(3) Exhibits

The exhibits listed on the Exhibits Index on section (c) below are filed herewith or are incorporated herein by reference.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter ended December 31, 1999.

(c) See Index to Exhibits on page 23 for the exhibits filed as a part of this Form 10-K.

(d) Financial data schedules

Schedules are omitted because they are not applicable.

Index to Exhibits

No.	Exhibit	Page No.
3.1	Certificate of Incorporation	(1)
3.2	By-Laws	(1)
4.0	Form of Common Stock Certificate	(1)
10.1	FirstBank's 1987 Stock Option Plan	(2)
10.2	FirstBank's 1997 Stock Option Plan	(2)
10.3	Employment Agreements	(2)
11.0	Statement Report to Shareholders for fiscal year ended December 31, 1999.	(3)
13.0	Annual Report to shareholders for fiscal year ended December 31, 1999.	-
21.0	List of subsidiaries (direct and indirect)	(2)
27.0	Financial Data Schedule	-

(1) Incorporated by reference from Registration statement on Form-S-4 filed by the Corporation on April 15, 1998.

2) Incorporated by reference from the Form 10-K for the year ended December 31, 1998 filed by the Corporation on March 26, 1999.

(3) Information is included on page 52 of the Corporation's annual report to security holders and is incorporated by reference herein (See Exhibit 13.0).

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934 the Corporation has duly caused this report to be signed by the undersigned, thereunto duly authorized.

FIRST BANCORP.

By: /s/ Angel Alvarez-Perez *Angel Alvarez Perez,* *Chairman* *President and Chief Executive Officer*	*Date:*	*03/28/00*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Angel Alvarez-Perez *Angel Alvarez-Perez,* *Chairman* *President and Chief Executive Officer*	*Date:*	*03/28/00*
/s/ Annie Astor de Carbonell *Annie Astor de Carbonell, Director* *Senior Executive Vice President and* *Chief Financial Officer*	*Date:*	*03/28/00*
/s/ Jose Julian Alvarez *Jose Julian Alvarez, Director*	*Date:*	*03/28/00*
/s/ Rafael Bouet *Rafael Bouet, Director*	*Date:*	*03/28/00*
/s/ Jorge Diaz *Jorge Diaz, Director*	*Date:*	*03/28/00*

/s/ Francisco D. Fernandez *Francisco D. Fernandez, Director*	*Date: 03/28/00*
/s/ Armando Lopez *Armando Lopez, Director*	*Date: 03/28/00*
/s/ German Malaret, *German Malaret, Director*	*Date: 03/28/00*
/s/ Hector M. Nevares *Hector M. Nevares, Director*	*Date: 03/28/00*
/s/ Antonio Pavia Villamil *Antonio Pavia Villamil, Director*	*Date: 03/28/00*
/s/ Jose Teixidor *Jose Teixidor, Director*	*Date: 03/28/00*
/s/ Angel L. Umpierre *Angel L. Umpierre, Director*	*Date: 03/28/00*
/s/ Luis M. Beauchamp *Luis M. Beauchamp,* *Senior Executive Vice President and* *Chief Lending Officer*	*Date: 03/28/00*
/s/ Laura Villarino Tur *Laura Villarino Tur,* *Senior Vice President and* *Controller*	*Date: 03/28/00*

Annual Report 1999

[PHOTO]

Technology and Innovation:
our Challenge toward the New Century

[LOGO] FIRST BANCORP

Table of Content

Financial Highlights

In Thousands (Except for per share results)	1999	1998
Operating Results:		
Net interest income	$185,733	$166,168
Provision for loan losses	47,960	76,000
Other income	32,862	58,240
Other operating expenses	101,272	91,798
Income tax provision	7,288	4,798
Net income	62,075	51,812
Per common share:		
Net income - basic	2.00	1.75
Net income - diluted	1.98	1.74
Weighted Average Shares:		
Basic	28,941	29,586
Diluted	29,199	29,858
At Year End:		
Assets	$4,721,568	$4,017,352
Loans	2,745,368	2,120,054
Allowance for loan losses	71,784	67,854
Investments	1,811,164	1,800,489
Deposits	2,565,422	1,775,045
Borrowings	1,803,729	1,930,488
Capital	294,902	270,368

[GRAPHS]

(P.R. GEOGRAPHIC MAP)

Branches - 48 Offices

Aguada	1
San Sebastian	1
Arecibo	1
Manati	1
Vega Baja	1
Dorado	1
Bayamon	5
Guaynabo	1
San Juan	12
Carolina	5
Humacao	1
Caguas	4
Aguas Buenas	1
Cidra	1
Guayama	1
Cayey	1
Barranquitas	1
Ponce	2
Yauco	1
Cabo Rojo	1
Mayaguez	2
Saint Thomas	2
Saint Croix	1

Money Express - 27 Offices

Aguada	1
Aguadilla	1
Isabela	1
San Sebastian	1
Arecibo	1
Manati	1
Vega Baja	1
Toa Baja	1
Bayamon	3
San Juan	3
Carolina	1
Rio Grande	1
Fajardo	1
Humacao	1
Yabucoa	1
Caguas	1
Guayama	1
Cayey	1
Ponce	1
Barranquitas	1
Utuado	1
Yauco	1
Mayaguez	1

First Leasing & Rentals - 6 Offices

Isabela	1
Bayamon	1
San Juan	3
Caguas	1

Auto Loan Center - 2 Offices
Caguas 1
Mayaguez 1

Loan Center - 2 Offices
Aguadilla 1
Fajardo 1

Mortgage Loan Center - 4 Offices

Manati	1
San Juan	2
Carolina	1

Total 89 Offices

Business Profile

First BanCorp (the Corporation), incorporated in Puerto Rico, is the holding company for FirstBank (the Bank), the second largest locally owned commercial bank in Puerto Rico. First BanCorp had total assets of $4.722 billion as of December 31, 1999. The Corporation operates primarily in the Puerto Rico banking market, offering a wide selection of financial services to a growing number of consumer and commercial customers. Commercial loans, consumer loans, mortgage loans and investment securities are the most important areas of business.

The Corporation has a $1.2 billion portfolio of commercial loans, commercial mortgages, construction loans and other related commercial products. Its commercial clients include businesses of all sizes covering a wide range of economic activities. First BanCorp has a $474 million portfolio of residential mortgages. The institution has $1.1 billion in consumer loans, concentrated in auto loans and leases, personal loans and credit cards. Its $1.8 billion investment portfolio consists mostly of U.S. government securities and mortgage backed securities. Through a strategic alliance with Paine Webber, the Corporation offers full brokerage services in selected branches. Approximately 1,700 full time professionals and a sophisticated computer system support the business activities of the Corporation.

First chartered in 1948, First BanCorp was the first savings bank established in Puerto Rico, under the name of "First Federal Savings Bank". It has been a stockholder owned institution since 1987. In October 1994 it became a Puerto Rico chartered commercial bank and was renamed "FirstBank". Effective October 1, 1998 the Bank reorganized, making FirstBank a subsidiary of the holding company First BanCorp.

First BanCorp, which is a well-capitalized institution under federal standards, operates 48 full service branches including three offices in the U.S. Virgin Islands. The Corporation also has two auto loan centers, two personal loan centers and four mortgage loan centers in Puerto Rico. A second tier subsidiary, Money Express, operates 27 offices dedicated to small loans throughout Puerto Rico. First BanCorp also has a second tier subsidiary known as First Leasing and Rental Corp., which rents and leases motor vehicles from its six offices in Puerto Rico.

[PHOTO]
(First BanCorp interactive web site)

First BanCorp has distinguished itself by providing innovative marketing strategies and novel products to attract clients. Besides its main branches and specialized lending offices, the Corporation has offered a telephone information service called "Telebanco" since 1983. This was the first telebanking service offered in Puerto Rico. First BanCorp clients have access to an extensive ATM network all over the world. The Corporation was the first in Puerto Rico to open on weekends and the first to offer in-store branches to its clients. First BanCorp was the first banking institution in Puerto Rico with a presence on the internet. During 2000, First BanCorp will launch a new, interactive web site where clients will be able to perform all types of banking transactions.

First BanCorp and its subsidiaries are subject to supervision, examination and regulation of the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Commissioner of Financial Institutions of Puerto Rico.

First BanCorp is committed to provide the most efficient and cost effective banking services possible. Management's goal is to be the premier financial institution in financial products and services in Puerto Rico. First BanCorp's Management will work constantly to exceed the expectations of our stockholders, clients and employees.

[PHOTO]
(First BanCorp interactive web site)

[PHOTO]
(First BanCorp interactive web site)

President's Letter

[PHOTO]
Angel Alvarez-Perez
Chairman, President
and Chief Financial Officer

To our stockholders:

On behalf of the Board of Directors and staff of First BanCorp I am pleased to submit our annual report for 1999, another record year. In 1999 First BanCorp earned $62.1 million, representing $2.00 per share (basic) or $1.98 per share (diluted). These earnings compared favorably with 1998, when the Corporation earned $51.8 million, which came to $1.75 per share (basic) or $1.74 per share (diluted). Net income increased 19.8 percent and diluted earnings per share rose 13.8 percent in 1999. These achievements continue our record of consistent earnings growth.

During 1999 we concentrated on investing in new technology and diversifying our services. The pace of change in First BanCorp accelerated with a series of targeted purchases and strategic alliances that laid the foundation for future growth.

Growth and Diversification

Last year we worked hard to increase commercial and construction lending. In consumer lending the Corporation continued to improve the quality of the portfolio through improved underwriting processes.

At midyear we acquired the Puerto Rico operations of Royal Bank of Canada. This acquisition added $90 million of high quality commercial loans, while giving us a well-located branch facility in the Hato Rey financial district. In August we acquired the $42 million private label credit card business of Western Auto in Puerto Rico. This acquisition substantially increased our important credit card business.

The largest acquisition occurred at year-end. We acquired four branches from Citibank's Caribbean operations. One of these branches in St. Thomas will strengthen our existing business in the U.S. Virgin Islands. The three Puerto Rico branches will add to our business in San Juan, Ponce and Mayaguez. This acquisition included $83 million in retail deposits.

Aside from all these acquisitions, we have moved quickly to take advantage of the Gramm-Leach-Bliley Act, passed by Congress in November 1999. This legislation removed the barriers separating the banking, insurance and brokerage industries. We expect the Puerto Rico legislature will quickly enact legislation to harmonize local and Federal banking laws in this area. We have recruited an Executive Vice President with many years of experience in local securities markets to oversee our entry into brokerage and investment banking business.

Through an agreement with Goldman, Sachs & Co., First BanCorp now participates in bond issues by the

Government of Puerto Rico. The Corporation has also arranged a strategic alliance with Paine Webber of Puerto Rico, the largest brokerage firm in the Island with thirty five years of local experience. Early in the year 2000 Paine Webber opened offices in eleven of our branches. This arrangement gives the Corporation's clients the widest range of investment advice, brokerage services, and money management experience available in Puerto Rico, while our officers are also available to sell our products and services to Paine Webber's 32,000 clients in Puerto Rico.

New Investments in Technology, Facilities and Training

First BanCorp has been investing heavily in technology, particularly in the area of commercial banking services. During the first half of 2000 we are upgrading the computer systems in our branches. These changes will allow greater efficiency, while helping our employees develop and strengthen relationships with our clients. Also internet banking will be available by the midyear 2000.

First BanCorp will provide an internet service while maintaining all existing banking services available to our clients. For this reason we are continuing our plans to expand First BanCorp's branch network. During 1999 we added three new branches while acquiring five more from other institutions. We plan to open more branches this year.

Our employees are the key to our success. We have reorganized our sales and distribution system, adding a newly recruited Senior Vice President with vast experience in marketing and sales to help make our branches more sales-oriented. In addition, the larger branches in the metropolitan area have two managers: one for regular clients and the other for commercial relationships. We have recruited a Senior Vice President with a long track record in commercial lending to administer this middle market strategy.

We have completely restructured our branch-based deposits, introducing a new product which pays bonuses for clients with multiple relationships. We have created a corporate professional image by providing uniforms to all our branch employees and offered extended branch hours. To facilitate these changes we are expanding employee training in all areas of the Corporation.

We have planned and coordinated these changes under a special project designed to simplify operations while making our services more efficient, responsive and convenient. We named the project "The Next Fifty" because we launched it in 1998, the Corporation's 50th anniversary year, as a way to initiate our second fifty years of growth. Forty five employees participated full time in the project, generating more than 500 ideas for improvement. We expect "The Next Fifty" to add $12 million in annualized earnings through cost reductions and revenue enhancements. We are reinvesting most of these earnings in new technology. "The Next Fifty" will continue through into 2001.

[PHOTO]
(First BanCorp interactive web site)

We expect these initiatives to favor continued low operating costs. During the past year our efficiency ratio averaged 46.6%, almost the same as the 46.5% of 1998.

Enhancing Shareholder Value

Our efforts have paid off in strong earnings growth for 1999, with a return on equity of 21.06%, compared with 20.54% in 1998. Our stock price has not reflected these strong results during 1999. Nevertheless, investors who held First BanCorp stock over the ten year period from year-end 1989 to year-end 1999 received a cumulative total return of 1,661%, for an average annual growth rate of 33.2% on their investment.

The Corporation began a stock repurchase program four years ago. During 1999 we repurchased 1,452,000 shares. This brought total activity over the course of our share repurchase program to 3,115,450 shares, adjusted for splits, representing a total investment of $54.3 million. In addition, officers and directors of First BanCorp own approximately 19 percent of its shares. This shows their confidence in First BanCorp's future and their commitment to keep its fundamentals sound.

During 1999 the magazine U.S. Banker mentioned First BanCorp's outstanding performance in its annual survey of America's 100 largest banks. During 1998 First BanCorp ranked fourth among all U.S. banks in cost control and in return on equity First BanCorp ranked tenth. We are confident that in the course of time our stock price will reflect this outstanding performance.

As First BanCorp embarks on another year of growth and service to the Puerto Rican community, we are confident that our Corporation is stronger and better positioned than ever. We have a truly outstanding group of employees, officers and directors. I am confident that we can meet the challenges ahead, and that we will continue to provide outstanding service to our clients, while benefiting employees and stockholders in the years to come.

/s/ Angel Alvarez-Perez
Chairman
President
Chief Executive Officer

[PHOTO]
(First BanCorp interactive web site-
First Miles Credit Card)

[PHOTO]
(First BanCorp interactive web site)

Achievements in 1999

Record profits made 1999 a very successful year for First BanCorp. The company made exceptional progress. Besides making heavy investments in new computer systems, improving employee training and expanding commercial and construction loans, the Corporation launched several important strategic alliances.

Profits continued their healthy growth as First BanCorp earned $62.1 million, which comes to $2.00 per share (basic) or $1.98 per share (diluted). In 1998 the Corporation earned $51.8 million, the equivalent of $1.75 (basic) or $1.74 (diluted) in per share terms. Net income increased by 19.8%, or 13.8% per share on a diluted basis. Net interest income, the main source of the Corporation's earnings, grew by $19.5 million from $166.2 million in 1998 to $185.7 million in 1999. Gains on sale of investments contributed $1.4 million to net income in 1999, while in 1998 these sales contributed $26.8 million.

First BanCorp's assets grew by $705 million during 1999, ending the year at $4.722 billion. Loans increased by $625 million for the year, mainly from commercial loans growth of approximately $400 million. The Corporation successfully issued $90 million in preferred stock in April 1999.

First BanCorp made three important acquisitions last year. At midyear FirstBank, the Corporation's banking subsidiary, acquired the Puerto Rico operations of Royal Bank of Canada. This purchase included a $90 million portfolio of high quality commercial loans and an attractive branch in the Hato Rey financial district. In August, the Bank acquired the credit card business of Western Auto, the largest auto parts retailer in Puerto Rico with 38 stores. This transaction brought FirstBank a $42 million credit card portfolio distributed among roughly 100,000 clients.

At year-end FirstBank also acquired four offices from Citibank. One of these branches is located in St. Thomas, U.S. Virgin Islands, and the other three are located in Puerto Rico. Besides the facilities and deposits, the Bank acquired approximately $30 million in loans as a part of this transaction.

An Expanding Role for a Growing Branch Network

During 1999 deposits grew from $1.775 billion to $2.565 billion, an increase of $790 million. Management worked intensively to lay the groundwork for future deposit growth by expanding the branch network and improving its products. Besides purchasing the five branches mentioned above, the Corporation also opened three new branches during the year. The Corporation plans to open more branches during the year 2000. As the Corporation moves increasingly toward relationship banking, Management is placing loan centers in selected branches to increase originations of mortgages and commercial loans.

Management restructured the Corporation's deposit products, introducing an innovative new product called the "Bonus Account". This account rewards clients who have multiple relationships with FirstBank (e.g. a checking account, a mortgage and an auto loan). At the same time, Management is holding back or eliminating some older products which are less popular than they were in past years. These changes will complement the development of the branch network.

Management is also opening specialized offices in selected branches. Four branches now have mortgage loan centers, which will provide financing for new homes in the San Juan metropolitan area. In addition, several branches now include a commercial loan officer, aside from the traditional branch manager.

Early in the year 2000 First BanCorp began offering brokerage services in selected branches through a new alliance with Paine Webber. This arrangement will give the Corporation's clients the broadest range of brokerage and financial management services available in Puerto Rico. Previously First BanCorp formed an alliance with Goldman Sachs to participate in the underwriting of Puerto Rico government securities. During the year 2000, the Corporation will begin offering internet services for those clients who like the convenience of banking from their homes along with the security of having branch officers available.

Improvements in Efficiency

In 1998 Management began a comprehensive re-design plan to streamline all corporate operations. The Corporation named the project "The Next Fifty" because Management launched it in the Corporation's 50th anniversary year as a way to initiate the second fifty years of growth. Management has invested most of the savings from this project in new technology. Largely because of this program First BanCorp was able to maintain an efficiency ratio of only 46.6% during 1999, almost equal to the 46.5% in 1998. Overall operating expenses were held to only $101.3 million for 1999 compared with $91.8 million in the previous year. Management achieved this in spite of significant increases in the size of the branch network and heavy investments in new computer systems. First BanCorp's efficiency ratio compares very favorably with that of other commercial banks throughout the U.S.

Improvements in the Balance Sheet

Contributing to higher profits in 1999 was a significant improvement in asset quality. Two years ago Management substantially improved its system of underwriting consumer loans, introduced tighter underwriting procedures and improved the Corporation's computer systems. As a result, the quality of the loan portfolio has improved. During 1999 First BanCorp provided $48 million for loan losses as compared with $76 million in 1998. This represents a reduction of 37 percent.

Loan quality has improved according to other measures as well. On December 31, 1999 non-performing loans totaled $53.8 million, compared to $57.0 million on the same date in 1998 and $52.9 million on a smaller portfolio at the end of 1997. By the end of 1999, the ratio of non-performing loans to total loans had fallen to 1.96%, compared with 2.69% at the end of 1998 and

[PHOTO]
(First BanCorp interactive web site)

2.70% at year-end 1997. The reserve coverage ratio (allowance for loan losses as a percentage of non-performing loans) reached 133.3% by the end of 1999, well above its earlier levels of 119.1% at year-end 1998 and 109.0% at the end of 1997. Management is committed to continuing these improvements in loan quality in coming years.

During the early part of 1999 Management strengthened the capital structure of First BanCorp by issuing $90 million in preferred stock. This transaction will help the Corporation to maintain a solid capital structure. Although assets grew substantially during 1999, the Corporation's capital ratios remained strong. The core capital ratio was 7.5% and the risk based capital ratio was 16.2% as of December 31, 1999.

Increasing Shareholder Value

The financial results continue a trend of earnings growth that has produced excellent value for shareholders. First BanCorp's return on average equity was 21.06% in 1999, while average asset yield was 1.49%. Dividends increased in 1999, and reached a payout ratio of 17.96% compared with 17.12% in 1998. During 1999 the Corporation repurchased 1,452,000 common shares.

While the stock price has not reflected these strong results during 1999, investors who held First BanCorp stock over the ten year period from year-end 1989 to year-end 1999 received a cumulative total return of 1,661%. This is equivalent to an average annual growth rate of 33.2% on the original investment.

Management is optimistic about the future of First BanCorp. The range of services it offers, its effective network of offices and branches supplemented by new sales methods, its dedicated staff and its quality reputation with clients will all contribute to future earnings growth. Management will continue its efforts to improve First BanCorp's excellent performance in 2000 and in the years to come.

[PHOTO]
(First BanCorp interactive web site- Telepago FirstBank)

Puerto Rico Economy

The island of Puerto Rico is a U.S. Commonwealth with a population of 3.8 million, located in the Caribbean approximately 1,600 miles southeast of New York. Puerto Rico has been enjoying solid economic growth over most of the 1990's. Real GNP grew by over 4% in the 1999 fiscal year. Private economists are forecasting 2% to 3% real growth in the fiscal year 2000. Management expects recent growth patterns on the Island to continue, with some slowdown during the coming fiscal year.

Puerto Rico's economic performance is a natural result of its increasing integration into the U.S. economy. Puerto Ricans are U.S. citizens and serve in the United States armed forces. The Island uses U.S. currency and forms a part of the U.S. financial system. Federal courts enforce U.S. laws in Puerto Rico. Since Puerto Rico falls within the U.S. for purposes of customs and migration, there is full mobility of funds, people and goods between Puerto Rico and the U.S. mainland. Puerto Rico banks are subject to the same Federal laws, regulations and supervision as other financial institutions in the rest of the U.S. The Federal Deposit Insurance Corporation insures the deposits of Puerto Rico chartered commercial banks, including FirstBank, the banking subsidiary of First BanCorp.

Puerto Rico made a rapid transition from poverty in the immediate postwar period to prosperity today. Throughout this process the Island has attracted industry using tax exemption. Many multinational corporations have substantial operations here. During 1996 Congress repealed Section 936 of the Internal Revenue Code, which provided Federal tax exemption for companies operating in Puerto Rico. However, Congress also provided a ten year grandfather clause for companies already operating here. Because Puerto Rico has a fiscal system independent from that of the U.S., it can fashion local tax incentives to attract or retain industry. A new law broadening and strengthening local tax incentives went into effect on January 1, 1998.

Puerto Rico is becoming somewhat less dependent on manufacturing than it was in the early postwar period. Manufacturing attracted by tax exemption is still an important part of the Island's economy. Nevertheless, Puerto Rico has been diversifying its economic base to include tourism, business services and transportation. As part of these changes the Island has been receiving U.S. private investment in diverse areas such as hotels, financial services and large retail stores. During the past year a slowdown in manufacturing growth was balanced by strong construction activity, both private and public. Management is optimistic about Puerto Rico's economic future.

[PHOTO]
(First BanCorp interactive web site-
Internet Banking and Bonus Account)

Board of Directors

[PHOTO]
Angel Alvarez-Perez, Esq.
Chairman

[PHOTO]
Annie Astor de Carbonell, C.P.A.

[PHOTO]
Angel L. Umpierre, C.P.A.

[PHOTO]
Jose Teixidor

[PHOTO]
German E. Malaret, M.D.

[PHOTO]
Antonio Pavia Villamil, M.D.

[PHOTO]
Francisco D. Fernandez, Eng.

[PHOTO]
Rafael Bouet, Eng.

[PHOTO]
Armando Lopez Ortiz, Eng.

[PHOTO]
Hector M. Nevares, Esq.

[PHOTO]
Jose Julian Alvarez

[PHOTO]
Jorge Diaz

FIRST BANCORP OFFICERS

PRESIDENT

Angel Alvarez-Perez
Chief Executive Officer
Chairman

SENIOR EXECUTIVE VICE PRESIDENTS

Annie Astor de Carbonell
Chief Financial Officer

Luis M. Beauchamp
Chief Lending Officer
Wholesale Banking

EXECUTIVE VICE PRESIDENTS

Aurelio Aleman
Consumer Banking

Fernando L. Batlle
Sales & Distribution, Mortgage Banking

Francisco Cortes
Administrative Services

Ricardo Ramos
First Securities

Randolfo Rivera
Corporate Banking

[PHOTO]

Standing from left to right: Aida Garcia, Francisco Cortes, Aurelio Aleman, Randolfo Rivera, Fernando L. Batlle, Luis Cabrera, Josianne M. Rosello

Seated from left to right: Luis Beauchamp, Angel Alvarez-Perez, Annie Astor de Carbonell

Not present: Miguel Mejias, Ricardo Ramos, Laura Villarino

SENIOR VICE PRESIDENTS

Miguel Babilonia
Consumer Credit Policy & Portfolio Management

Luis Cabrera
Treasury & Investments

Eva Candelario
Corporate Business Development

Jose Cerame
Middle Market & Community Banking

Aida M. Garcia
Human Resources

Michael Garcia
Consumer Collection

Fernando Iglesias
Special Loans & Credit Administration

Roger Lay
Internal Auditing

Miguel Mejias
Information Systems

John Ortiz
Consumer Lending, Sales & Services

Haydee Rivera
Branch Banking Operations

Julio Rivera
Construction Lending

Josianne M. Rosello
Marketing & Public Relations

Demetrio Santiago
Auto Wholesale Business

Hector Santiago
Auto Business

Denise Segarra
Sales & Distribution

Laura Villarino
Controller

VICE PRESIDENTS

William Alvarez
Indirect Business Development

Jose H. Aponte
Commercial Mortgage

Beverly Bachetti
Private Banking

Juan E. Barnes
Branch Manager

Ana Colon
Centralized Accounting

David Gonzalez
Corporate Business Development

Nelson Gonzalez
Corporate Business Development

Eric Lopez
Corporate Banking

Marcelo Lopez
Regional Sales Manager

Juanita Marrero
Mortgage Banking

Ivan Martinez
Project Manager

Jose Negron
Auto Asset & Disposition

Luis Orengo
Commercial Loans

Eduardo Ortiz
Auto Wholesale

Osvaldo Padilla
Corporate Business

Reynaldo Padilla
Auto Finance

Miguel Pimentel
Corporate Business Development

Carlos Power
Next Fifty Project

Rolando Quevedo
Legal Counsel

Jorge Rendon
Operational Support

Migdalia Rivera
Community Banking

Sandra Rivera
Auto Collection

Belinda Rodriguez
Consumer Sales

Jose L. Rodriguez
Information Systems

Elizabeth Sanchez Marine Financing	Roberto Sanchez Credit Risk	Miguel Santin Corporate Banking
Carmen Torres Capacity Planning Manager	Raphael Torres Regional Sales Manager	

FIRST FEDERAL FINANCE CORPORATION
DBA MONEY EXPRESS "LA FINANCIERA"

Angel Alvarez-Perez
Chief Executive Officer

Fernando L. Batlle
President and Chief Operating
Officer

Orlando Velez
Vice President and Operations
Manager

FIRST LEASING AND RENTAL CORPORATION

Angel Alvarez-Perez
Chief Executive Officer

Aurelio Aleman
President and Chief Operating
Officer

William Velez
Vice President and General
Manager

[PHOTO]
(First BanCorp interactive web site-
P.R Geographical Map)

SELECTED FINANCIAL DATA

Year ended December 31,	1999	1998	1997	1996	1995
		(In thousands except for per share results)			
Condensed Income Statements:					
Total interest income	$369,063	$321,298	$285,160	$256,523	$208,488
Total interest expense	183,330	155,130	130,429	113,027	96,838
Net interest income	185,733	166,168	154,731	143,496	111,650
Provision for loan losses	47,961	76,000	55,676	31,582	30,894
Other income	32,862	58,240	39,866	29,614	48,268
Other operating expenses	101,272	91,798	83,268	82,498	65,628
Unusual item - SAIF assessment				9,115	
Income before income tax provision	69,363	56,610	55,653	49,915	63,396
Provision for income tax	7,288	4,798	8,125	12,281	14,295
Net income	62,075	51,812	47,528	37,634	49,101
Per Common Share Results (1):					
Net income per common share - diluted	$1.98	$1.74	$1.58	$1.22	$1.58
Cash dividends declared	$0.36	$0.30	$0.24	$0.20	$0.08
Average shares outstanding	28,941	29,586	30,036	30,794	30,592
Average shares-diluted	29,199	29,858	30,204	30,952	31,118
Balance Sheet Data:					
Loans and loans held for sale	$2,745,368	$2,120,054	$1,959,301	$1,896,074	$1,556,606
Allowance for possible loan losses	71,784	67,854	57,712	55,254	55,009
Investments	1,811,164	1,800,489	1,276,900	830,980	785,747
Total assets	4,721,568	4,017,352	3,327,436	2,822,147	2,432,816
Deposits	2,565,422	1,775,045	1,594,635	1,703,926	1,518,367
Borrowings	1,803,729	1,930,488	1,458,148	884,741	698,097
Total capital	294,902	270,368	236,379	191,142	171,202
Book value per common share, end of year (1)	7.30	9.17	7.93	6.32	5.51
Regulatory Capital Ratios (In Percent):					
Total capital to risk weighted assets	16.16	17.39	17.26	15.25	16.17
Tier 1 capital to risk weighted assets	11.64	11.55	11.07	9.32	9.93
Tier 1 capital to average assets	7.47	6.59	7.44	6.65	6.82
Selected Financial Ratios (In Percent):					
Net income to average total assets	1.49	1.48	1.63	1.48	2.22
Interest rate spread (2)	4.29	4.76	5.30	5.46	5.07
Net interest income to average earning assets (2)	4.85	5.27	5.83	6.03	5.59
Yield on average earning assets (2)	9.29	9.83	10.45	10.63	10.12
Cost on average interest bearing liabilities	5.00	5.07	5.15	5.17	5.05
Net income to average total equity	21.06	20.54	22.30	20.49	33.19
Net income to average common equity	24.68	20.54	22.30	20.49	33.19
Average total equity to average total assets	7.07	7.22	7.32	7.23	6.68
Dividend payout ratio	17.96	17.12	15.14	16.32	5.06
Efficiency ratio (3)	46.62	46.46	45.45	49.03	47.96
Offices:					
Number of full service branches	48	40	36	36	36
Loan origination offices	41	45	44	47	43

(1) Amounts presented were recalculated, when applicable, to retroactively consider the effect of common stock splits.

(2) Ratios were computed on a taxable equivalent basis.

(3) Other operating expenses to the sum of net interest income and other income (excluding gain on sale of investments).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL REVIEW SUMMARY

For the year 1999, First BanCorp (the Corporation) recorded earnings of $62,074,949 or $2.00 per common share (basic) and $1.98 per common share (diluted), compared to $51,812,387 or $1.75 per common share (basic) and $1.74 per common share (diluted) for 1998, and $47,527,552 or $1.58 per common share (basic and diluted) for 1997.

The Corporation's earnings are attributed to the net interest income earned on the growing portfolio of earning assets, improvements in asset quality resulting in a lower provision for loan losses, and controls over operating expenses. For 1999 as compared to 1998, net income increased by $10,262,562 or $0.24 per common share (diluted), and for 1998 as compared to 1997, by $4,284,835 or $0.16 per common share (diluted).

Return on average assets was 1.49% for 1999, 1.48% for 1998 and 1.63% for 1997. Return on average equity was 21.06% for 1999, 20.54% for 1998 and 22.30% for 1997.

RESULTS OF OPERATIONS

The Corporation's results of operations depend primarily on its net interest income, which is the difference between the interest income earned on interest earning assets, including investment securities and loans, and the interest expense paid on interest bearing liabilities, including deposits and borrowings. Also, the results of operations depend on the provision for loan losses, operating expenses (such as personnel, occupancy and other costs), other income (mainly service charges and fees on loans), and gains on sale of investments.

Net Interest Income

Net interest income increased to $185.7 million for 1999 from $166.2 million in 1998 and $154.7 million in 1997. This improvement results from the continuous increase in the average volume of interest earning assets together with a higher available capital and non-interest bearing liabilities to fund those assets. This is reflected in an increase in the average volume of interest earning assets of $721.2 million for 1999 as compared to 1998 and of $582.7 million for 1998 as compared to 1997. Interest bearing liabilities increased by $606 million for 1999 as compared to 1998 and by $528 million for 1998 as compared to 1997.

The following table includes a detailed analysis of net interest income. Part I presents average volumes and rates on a tax equivalent basis and Part II presents the extent to which changes in interest rates and changes in volume of interest related assets and liabilities have affected the Corporation's net interest income. For each category of earning assets and interest bearing liabilities, information is provided on changes attributable to changes in volume (changes in volume multiplied by old rates), and changes in rate (changes in rate multiplied by old volumes). Rate-volume variances (changes in rate multiplied by changes in volume) have been allocated to the changes in volume and changes in rate based upon their respective percentage of the combined totals.

Part I Year ended December 31,	Average volume 1999	 1998	 1997	Interest income (1) / expense 1999	 1998	 1997	Average rate (1) 1999	 1998	 1997
				(Dollars in thousands)					
Earning Assets:									
Deposits at banks and other short-term investments	$ 27,344	$ 40,766	$ 67,969	$ 450	$ 2,028	$ 3,708	1.65%	4.97%	5.45%
Government obligations	415,742	319,777	404,517	24,997	19,984	26,949	6.01%	6.25%	6.66%
Mortgage backed securities	1,294,195	1,032,632	428,804	92,157	77,463	34,942	7.12%	7.50%	8.15%
Other investment	18,646	1,150	519	1,598	186	21	8.57%	16.14%	4.24%
FHLB stock	16,170	10,252	10,150	1,101	743	670	6.81%	7.25%	6.60%
Total investments	1,772,097	1,404,577	911,959	120,303	100,404	66,290	6.79%	7.15%	7.27%
Consumer loans (2)	1,013,782	1,032,704	1,090,991	138,130	139,309	147,100	13.63%	13.49%	13.48%
Residential real estate loans (2)	327,700	290,564	283,799	30,754	30,807	29,485	9.38%	10.60%	10.39%
Construction loans (2)	94,940	19,169	10,488	9,216	1,852	1,004	9.71%	9.66%	9.57%
Commercial loans (2)	847,917	613,697	473,093	75,879	56,239	44,770	8.95%	9.16%	9.46%
Finance leases (2)	68,577	43,108	50,823	9,080	6,022	6,220	13.24%	13.97%	12.24%
Total loans	2,352,916	1,999,242	1,909,194	263,059	234,229	228,579	11.18%	11.72%	11.97%
Total earning assets	$4,125,013	$3,403,819	$2,821,153	$383,362	$334,633	$294,869	9.29%	9.83%	10.45%
Interest Bearing Liabilities:									
Interest bearing checking accounts	$ 140,690	$ 123,847	$ 116,852	$ 4,931	$ 4,487	$ 4,167	3.50%	3.62%	3.57%
Savings accounts	413,662	398,249	400,998	12,381	11,717	12,155	2.99%	2.94%	3.03%
Certificate accounts	1,373,263	972,433	985,124	73,177	54,214	55,827	5.33%	5.58%	5.67%
Interest bearing deposits	1,927,615	1,494,529	1,502,974	90,489	70,418	72,149	4.69%	4.71%	4.80%
Other borrowed funds	1,728,913	1,559,892	1,012,757	92,370	84,460	57,418	5.34%	5.41%	5.67%
FHLB advances	8,451	4,515	15,157	471	252	864	5.57%	5.58%	5.70%
Total interest bearing liabilities	$3,664,979	$3,058,936	$2,530,888	$183,330	$155,130	$130,431	5.00%	5.07%	5.15%
Net interest income (1)				$200,032	$179,503	$164,438			
Interest rate spread (1)							4.29%	4.76%	5.30%
Net interest margin (1)							4.85%	5.27%	5.83%

(1) On a tax equivalent basis. The tax equivalent yield was computed dividing the interest rate spread on exempt assets by (1- statutory tax rate) and adding to it the cost of interest bearing liabilities. When adjusted to a tax equivalent basis, yields on taxable and exempt assets are comparative.

(2)Non-accruing loans are included in the average balances.

	1999 compared to 1998 Increase (decrease) Due to: Volume	Rate	Total	1998 compared to 1997 Increase (decrease) Due to: Volume	Rate	Total
	(In thousands)					
Earning assets:						
Deposits at banks and other short-term investments	$ (521)	$(1,057)	$(1,578)	$(1,377)	$ (303)	$ (1,680)
Government obligations	5,884	(871)	5,013	(5,375)	(1,589)	(6,964)
Mortgage backed securities	19,123	(4,429)	14,694	47,250	(4,729)	42,521
Other investment	2,143	(731)	1,412	50	114	164
FHLB stock	416	(58)	358	7	66	73
Total investments	27,045	(7,146)	19,899	40,555	(6,441)	34,114
Consumer loans	(2,565)	1,386	(1,179)	(7,861)	70	(7,791)
Residential real estate loans	3,711	(3,765)	(54)	711	612	1,323
Construction loans	7,355	9	7,364	839	9	848
Commercial loans	21,212	(1,572)	19,640	13,096	(1,628)	11,468
Finance leases	3,465	(406)	3,059	(1,011)	811	(200)
Total loans	33,178	(4,348)	28,830	5,774	(126)	5,648
Total interest income	60,223	(11,494)	48,729	46,329	(6,567)	39,762
Interest bearing liabilities:						
Deposits	20,368	(297)	20,071	(403)	(1,327)	(1,730)
Other borrowed funds	9,091	(1,181)	7,910	30,323	(3,282)	27,041
FHLB advances	219	0	219	(594)	(18)	(612)
Total interest expense	29,678	(1,478)	28,200	29,326	(4,627)	24,699
Change in net interest income	$30,545	$(10,016)	$20,529	$17,003	$(1,940)	$15,063

Total interest income includes tax equivalent adjustments of $14.3 million, $13.3 million and $9.7 million for 1999, 1998, and 1997, respectively. On a tax equivalent basis, net interest income increased to $200 million for 1999 from $179.5 million for 1998, and $164.4 million for 1997. The interest rate spread and net interest margin amounted to 4.29% and 4.85%, respectively, for 1999, as compared to 4.76% and 5.27%, respectively, for 1998 and to 5.30% and 5.83%, respectively, for 1997. The reduction in the interest rate spread and net interest margin for 1999 is mainly due to the increase of $367.5 million in the average volume of total investments when compared to the average volume recorded for 1998. These investments have a lower spread than loans without considering the effects of credit risk. In addition, there was a reduction of $18.9 million in the average volume of consumer loans, which provide the highest spread, but have the highest credit risk in the portfolio.

1999 compared to 1998

On a tax equivalent basis interest income increased by $48.6 million for 1999 as compared to 1998. On a tax equivalent basis the yield on earning assets was 9.29% for 1999 as compared to 9.83% for 1998. The increase in interest income results from the growth in the average of interest earning assets of $721.2 million in 1999.

For the loan portfolio, the growth in 1999 of $234.2 million in the average volume of commercial loans (including commercial real estate loans) represented an increase of $21.2 million in income due to volume, partially offset by a reduction of $1.6 million in interest income due to rate. The average portfolio of construction loans increased by $75.8 million for 1999, representing a positive volume variance of $7.4 million. The average portfolio of residential mortgage loans increased by $37.1 million for 1999, representing a positive volume variance of $3.7 million. The average finance lease portfolio (mostly composed of consumer loans) increased by $25.5 million in 1999, representing a positive volume variance of $3.5 million. The decrease of $18.9 million in the average volume of consumer loans in 1999 caused a negative variance in interest income due to volume of $2.6 million. The increase in the commercial real estate, construction and commercial loans portfolio resulted from the Corporation's strategy to diversify its asset base, which was concentrated in consumer loans. The consumer loan portfolio decreased as a result of the tighter underwriting policies implemented during 1997.

For the investment portfolio, the average volume of mortgage backed securities increased by $261.6 million in 1999. The tax equivalent yield on mortgage backed securities was 7.12% in 1999 and 7.50% in 1998. The portfolio of mortgage backed securities contributed $19.1 million in interest income due to volume net of $4.4 million decrease in interest income due to rate. The average volume of government obligations increased by $96 million for 1999 as compared to 1998, causing a total increase in interest income of $5 million.

Interest expense increased by $28.2 million for 1999 as compared to 1998. This was the result of the increase in the average volume of interest bearing liabilities of $606 million for 1999 as compared to 1998 with a volume variance of $29.7 million. However, the negative variance was partially offset by a decrease in the cost of interest bearing liabilities from 5.07% for 1998 to 5.00% for 1999 causing a positive rate variance of $1.5 million for 1999 as compared to 1998.

1998 compared to 1997

On a tax equivalent basis interest income increased by $39.8 million for 1998 as compared to 1997. On a tax equivalent basis the yield on earning assets was 9.83% for 1998 as compared to 10.45% for 1997. The improvement in interest income was due to the increase in the average volume of interest earning assets of $582.7 million.

For the investment portfolio, the average volume of mortgage backed securities increased by $603.8 million in 1998. The tax equivalent yield on mortgage backed securities was 7.50% in 1998 and 8.15% in 1997. The portfolio of mortgage backed securities contributed $47.3 million in interest income due to volume net of a $4.7 million decrease in interest income due to rate. The average volume of government obligations decreased by $84.7 million for 1998 as compared to 1997, resulting in a total decrease in interest income of $7 million.

For the loan portfolio, the growth in the average volume of commercial loans (including commercial real estate loans) of $140.6 million in 1998 represented an increase of $13.1 million in income due to volume, partially offset by a reduction of $1.6 million in interest income due to rate. In 1998 the average volume of residential real estate and construction loans increased by $6.8 million and $8.7 million, respectively, representing an increase in interest income of $1.3 million and $.8 million, respectively. The decrease of $58.3 million in the average volume of consumer loans caused a negative variance in interest income due to volume of $7.9 million. The increase in the commercial real estate and commercial loans portfolio was the result of the Corporation's strategy of diversifying its asset base, which was concentrated in consumer loans. The consumer loan portfolio decreased as a result of the tighter underwriting policies implemented during 1997.

Interest expense increased by $24.7 million for 1998 as compared to 1997. This results from the increase in the average volume of interest bearing liabilities of $528 million for 1998 as compared to 1997 with a volume variance of $29.3 million. However, interest expense was affected by a decrease of eight basis points in the cost of interest bearing liabilities from 5.15% for 1997 to 5.07% for 1998 causing a positive rate variance of $4.6 million for 1998 as compared to 1997.

Provision for Loan Losses

During 1999, the Corporation provided $48 million for loan losses, a significant decrease compared to $76 million in 1998 and $55.7 million in 1997. The provision for loan losses recorded in 1999 reflects the improvements in the credit quality of the loan portfolio. Net charge offs for 1999 amounted to $44 million, a significant reduction compared to net charge offs for 1998 of $65.9 million and of $53.2 million for 1997. Net charge offs to average loans outstanding has significantly improved to 1.87% as compared to 3.29% and 2.79% for 1998 and 1997, respectively.

The allowance activity for 1999, and previous four years was as follows:

Year ended December 31,	1999	1998	1997	1996	1995
			(Dollars in thousands)		
Allowance for loan losses, beginning of period	$67,854	$57,712	$55,254	$55,009	$37,413
Provision for loan losses	47,960	76,000	55,675	31,582	30,894
Loans charged off:					
Commercial real estate	(51)	(168)	(284)	(492)	(403)
Commercial	(774)	(712)	(597)	(781)	(3,299)
Finance leases	(793)	(3,438)	(1,399)	(161)	
Consumer	(52,047)	(67,906)	(57,311)	(33,295)	(10,821)
Recoveries and other adjustments	9,634	6,366	6,374	3,392	1,225
Net charge offs	(44,031)	(65,858)	(53,217)	(31,337)	(13,298)
Allowance for loan losses, end of period	$71,784	$67,854	$57,712	$55,254	$55,009
Allowance for loan losses to year end total loans and loans held for sale	2.61%	3.20%	2.95%	2.91%	3.53%
Net charge offs to average loans outstanding during the period	1.87%	3.29%	2.79%	1.80%	.93%

The Corporation maintains the allowance for loan losses at a level that Management considers adequate to absorb losses inherent in the loan portfolio. The adequacy of the allowance for loan losses is reviewed on a quarterly basis as part of the continuing evaluation of the quality of the assets. This evaluation is based upon a number of factors, including the followings:
historical loan loss experience, projected loan losses, loan portfolio composition, current economic conditions, fair value of the underlying collateral, financial condition of the borrowers, and, as such, includes amounts based on judgments and estimates made by Management.

Other Income

The following table presents the composition of other income.

Year ended December 31,	1999	1998	1997
		(In thousands)	
Other fees on loans	$ 12,887	$11,158	$10,899
Service charges on deposit accounts	8,540	7,844	7,363
Fees on loans serviced for others	864	1,617	2,670
Rental income	2,610	2,292	1,935
Other operating income	6,592	5,137	4,866
Other income before gain on sale of investments and trading	31,493	28,048	27,733
Gain on sale of investments	1,377	26,827	11,388
Trading (loss) income	(8)	3,365	745
Total	$32,862	$58,240	$39,866

Other income primarily consists of service charges on deposit accounts, fees on loans, servicing income, commissions derived from various banking activities, the results of trading activities and gains on sale of investments.

Other fees on loans consist mainly of credit card fees and late charges collected on loans. The increase in this source of income to $12.9 million in 1999 from $11.2 million in 1998 and $10.9 million in 1997 was due to fees generated on the increased portfolio of commercial loans.

Service charges on deposit accounts represent an important and stable source of other income for the Corporation. This source of income increased to $8.5 million in 1999 from $7.8 million in 1998 and $7.4 million in 1997.

Fees on loans serviced for others primarily reflect the servicing fees for the auto loan securitizations closed in 1995. It also includes servicing fees on residential mortgage loans originated and subsequently securitized. The decrease in this account is due to the continued repayment of the auto loan portfolio.

The Corporation's second tier subsidiary, First Leasing and Rental Corporation, generates income on the rental of various types of motor vehicles. This source of income has averaged approximately $2 million in the past three years.

The other operating income category is composed of various types of service fee such as check fees and rental of safe deposit boxes. Other operating income also includes earned discounts on tax credits purchased and utilized against income tax payments.

Gains on sale of investment securities amounted to $1.4 million in 1999, $26.8 million in 1998 and $11.4 million in 1997. These gains reflect market opportunities that arose and that are in consonance to the Corporation's investment policies.

Other Operating Expense

Other operating expenses amounted to $101.3 million for 1999 as compared to $91.8 million for 1998 and $83.3 million for 1997. The following table presents the components of other operating expenses.

Year ended December 31,	1999	1998	1997
		(In thousands)	
Salaries and benefits	$ 48,546	$43,185	$38,644
Occupancy and equipment	20,137	18,155	16,101
Deposit insurance premium	1,096	971	1,040
Other taxes and insurance	5,683	5,607	5,536
Professional and service fees	6,672	5,820	4,883
Business promotion	5,896	5,922	4,993
Communications	4,667	4,330	4,364
Real estate owned operations	(303)	42	(21)
Amortization of debt issue costs	612	691	788
Expense of rental equipment	1,478	1,226	1,184
Other	6,789	5,849	5,756
Total	$101,273	$91,798	$83,268

Management's goal has been to make expenditures that directly contribute to increase the efficiency and profitability of the Corporation. This control over other operating expenses has been an important factor contributing to the increase in earnings in recent years. In 1999, the Corporation started the implementation of a cost restructuring project, which has transformed the operations and processes toward a more cost efficient institution. The savings generated by this effort have been invested mainly in new technology. The Corporation's efficiency ratio, which is the ratio of other operating expenses to the sum of net interest income and other recurring income, was 46.62% for 1999 as compared to 46.46% and 45.45% for 1998 and 1997, respectively.

The increase in operating expenses for 1999 is mainly the result of the investments made in new technology, the expansion of the Corporation's branch network, the acquisition of new business and branches and the staffing of the commercial lending business to support the growth in the portfolio. During 1999 the Corporation opened a new full-service branch and two in-store branches. In July of 1999, the Corporation acquired the Royal Bank's operations in Puerto Rico including its full service branch in the financial district of Hato Rey. In August of 1999, the Corporation acquired the credit card portfolio of Western Auto. In December of 1999, the Corporation acquired four branches from CitiBank. To emphasize the commercial lending area, the Corporation recruited new officers for the origination of loans to the middle market throughout selected branches. The salary and benefits category was also affected by increases in salary and fringe benefits.

The occupancy and equipment category consists of expenses associated with premises, office and computer equipment, and other automated banking equipment. The increase in the past three years was the result of the enhancement of hardware and software through system conversions, which have enabled the Corporation to offer new products, and improve customer service and portfolio servicing. Expenses related to the year 2000 issue also affected this category (see Year 2000 section).

The increase in the professional and service fee category for 1999 is primarily attributed to the credit card processing and assessment fees resulting from the increase in the credit card portfolio and the increase in the number of accounts managed due to the acquisition of the Western Auto portfolio. The increase in credit card fee income exceeded the related processing costs.

Business promotion costs amounted to $5.9 million for 1999 as compared to $5.9 million in 1998, and $5 million for 1997. Business promotion expenses have been incurred to increase loan and deposit volumes. In addition, in 1999 the Corporation launched a distinct publicity campaign to promote its new "Bonus account" and a corporate image.

Income Tax Expense

The provision for income tax amounted to $7.3 million (or 11% of pre-tax earnings) for 1999 as compared to $4.8 million (or 8% of pre-tax earnings) in 1998, and $8.1 million (or 15% of pre-tax earnings) in 1997. The Corporation has maintained an effective tax rate lower than the statutory rate of 39% mainly by investing in obligations and loans exempt from federal and Puerto Rico income tax. For additional information relating to taxes, see Note 28 of the Corporation's financial statements "Income Taxes."

FINANCIAL CONDITION

The following table presents an average balance sheet as of the dates indicated:

December 31,	1999	1998 (In thousands)	1997
Assets			
Interest earning assets:			
Deposits at banks and other short-term investments	$ 27,344	$ 40,766	$ 67,969
Government obligations	415,742	319,777	404,517
Mortgage backed securities	1,294,195	1,032,632	428,804
Other investment	18,646	1,150	519
FHLB stock	16,170	10,252	10,150
Total investments	1,772,097	1,404,577	911,959
Consumer loans	1,013,782	1,032,704	1,090,991
Residential real estate loans	327,700	290,564	283,799
Construction loans	94,940	19,169	10,488
Commercial loans	847,917	613,697	473,093
Finance leases	68,577	43,108	50,823
Total loans	2,352,916	1,999,242	1,909,194
Total interest earning assets (1)	4,125,013	3,403,819	2,821,153
Total non-interest earning assets	47,768	89,717	91,355
Total assets	$4,172,781	$3,493,536	$2,912,508
Liabilities and stockholders' equity			
Interest bearing liabilities:			
Interest bearing checking accounts	$ 140,690	$ 123,847	$ 116,852
Savings accounts	413,662	398,249	400,998
Certificate accounts	1,373,263	972,433	985,124
Interest bearing deposits	1,927,615	1,494,529	1,502,974
Other borrowed funds	1,728,913	1,559,892	1,012,757
FHLB advances	8,451	4,515	15,157
Total interest bearing liabilities	3,664,979	3,058,936	2,530,888
Total non-interest bearing liabilities	212,993	182,369	168,515
Total liabilities	3,877,972	3,241,305	2,699,403
Stockholders' equity	294,809	252,231	213,105
Total liabilities and stockholders' equity	$4,172,781	$3,493,536	$2,912,508

(1) Net of the allowance for loan losses and the valuation on investments securities available for sale.

Assets

The Corporation's total assets at December 31, 1999 amounted to $4,722 million, $704 million over the $4,017 million at December 31, 1998. The increase in total assets results primarily from the growth in total loans receivable (net of the allowance for loan losses) of $621 million.

The following table presents the composition of the loan portfolio at year-end for each of the last five years.

December 31,	1999	% of Total	1998	% of Total	1997	% of Total	1996	% of Total	1995	% of Total
					(Dollars in thousands)					
Residential real estate loans	$ 473,563	17	$ 303,011	14	$ 292,604	15	$ 297,246	16	$ 319,758	21
Commercial real estate loans	371,643	14	332,219	16	306,734	15	256,227	14	210,645	13
Construction loans	132,068	5	62,963	3	9,279	1	10,209	1	9,233	1
Commercial loans	655,417	24	368,549	17	235,571	12	174,770	9	156,369	10
Total commercial	1,159,128	43	763,731	36	551,584	28	441,206	24	376,247	24
Finance leases	85,692	3	52,214	3	42,500	2	58,481	3	32,965	2
Consumer loans	1,026,985	37	1,001,098	47	1,072,613	55	1,099,141	57	827,636	53
Total	$2,745,368	100	$2,120,054	100	$1,959,301	100	$1,896,074	100	$1,556,606	100

During 1999 the Corporation continued its strategy of diversifying its loan portfolio composition through the origination and purchase of commercial loans. This resulted in a significant increase of $395.4 million in the commercial loan portfolio. This increase includes approximately $90 million in commercial loans purchased from Royal Bank of Puerto Rico. Residential real estate loans increased in 1999 by $170.6 million as a result of new resources added to this line of business. Finance leases, which are mostly composed of loans to individuals to finance the acquisition of an auto, increased by $33.5 million. Consumer loans increased by $25.9 million in 1999 as a result of the acquisition of a $42 million credit card portfolio from Western Auto, offset by a decrease in the rest of the portfolio of $16.1 million.

The Corporation's investment portfolio at December 31, 1999 amounted to $1,811 million, in line with the investment portfolio of $1,801 million at December 31, 1998.

The composition and tax equivalent weighted average interest rates of the Corporation's earning assets at December 31, 1999 were as follows:

	Amount (In thousands)	Weighted Average Rate
Money market instruments	$ 35,217	4.64%
Government obligations	437,705	6.74%
Mortgage backed securities	1,223,873	7.20%
FHLB of N.Y. stock	17,827	6.81%
Other investment	96,541	7.33%
Total investments	1,811,163	7.04%
Consumer loans	1,026,985	15.02%
Residential real estate loans	473,563	8.94%
Construction loans	132,068	8.88%
Commercial and commercial real estate loans	1,027,060	8.15%
Finance leases	85,692	12.41%
Total loans(1)	2,745,368	11.02%
Total earning assets	$ 4,556,531	9.44%

(1) Excludes the reserve for loan losses. Generally, non-accruing loans were included in this analysis as if they were accruing interest.

Non-performing Assets

Total non-performing assets are the sum of non-accruing loans, OREO's and other repossessed properties. Non-accruing loans are loans as to which interest is no longer being recognized. When loans fall into non-accruing status, all previously accrued and uncollected interest is charged against interest income.

At December 31, 1999, total non-performing assets amounted to $57 million (1.22% of total assets) as compared to $63 million (1.57% of total assets) at December 31, 1998 and $63 million (1.89% of total assets) at December 31, 1997. The Corporation's reserve to non-performing loans was 133.4% at December 31, 1999 as compared to 119.1% and 109.0% at December 31, 1998 and 1997, respectively.

Past due loans are loans delinquent 90 days or more as to principal and/or interest, and still accruing interest.

The following table presents non-performing assets at the dates indicated. The presentation of non-performing assets was changed for 1999 and previous four years to exclude past due and still accruing loans to conform it to the industry practice.

December 31,	1999	1998	1997	1996	1995
			(Dollars in thousands)		
Non-accruing loans:					
Residential real estate	$ 8,633	$ 9,151	$ 6,963	$ 8,814	$ 9,309
Commercial and commercial real estate	17,975	19,355	16,869	11,568	18,979
Finance leases	2,482	1,716	4,560	5,125	297
Consumer	24,726	26,736	24,547	25,655	26,085
	53,816	56,958	52,939	51,162	54,670
Other real estate owned (OREO)	517	3,642	1,132	1,696	2,991
Other repossessed property	3,112	2,277	8,702	7,566	3,132
Total non-performing assets	$57,445	$62,877	$62,773	$60,424	$60,793
Past due loans	$13,781	$15,110	$11,544	$ 9,752	$ 5,544
Non-performing assets to total assets	1.22%	1.57%	1.89%	2.14%	2.50%
Non-performing loans to total loans	1.96%	2.69%	2.70%	2.70%	3.51%
Allowance for loan losses	$71,784	$67,854	$57,712	$55,254	$55,009
Allowance to total non-performing loans	133.39%	119.13%	109.02%	108.00%	100.62%

Non-accruing Loans

Residential Real Estate Loans - The Corporation classifies all real estate loans delinquent 90 days or more in non-accruing status. Even though these loans are in non-accruing status, Management considers based on the value of the underlying collateral and the loan to value ratios, that no material losses will be incurred in this portfolio. Management's understanding is based on the historical experience of the Corporation. Non-accruing real estate loans amounted to $8.6 million (1.82% of total residential real estate loans) at December 31, 1999, as compared to $9.2 million (3.02% of total residential real estate loans) and $7 million (2.38% of total residential real estate loans) at December 31, 1998 and 1997, respectively.

Commercial Loans - The Corporation places all commercial loans (including commercial real estate and construction loans) 90 days delinquent as to principal and interest in non-accruing status. The risk exposure of this portfolio is diversified. Non-accruing commercial loans amounted to $18.0 million (1.55% of total commercial loans) at December 31, 1999 as compared to $19.4 million (2.53% of total commercial loans) and $16.9 million (3.06% of total commercial loans) at December 31, 1998 and 1997, respectively. At December 31, 1999, there was only one non-accruing commercial loan of over $1 million, which is a $2.6 million loan, partially secured by inventory, accounts receivable and real estate collateral.

Finance Leases - Finance leases are classified as non-accruing when they are delinquent 90 days or more. Non-accruing finance leases amounted to $2.5 million (2.90% of total finance leases) at December 31, 1999, compared to $1.7 million (3.29% of total finance leases) at December 31, 1998, and $4.6 million (10.73% of total finance leases) at December 31, 1997.

Consumer Loans - Consumer loans are classified as non-accruing when they are delinquent 90 days in auto, boat and home equity reserve loans, 120 days in personal loans (including small loans) and 180 days in credit cards and personal lines of credit.

Non-accruing consumer loans amounted to $24.7 million (2.41% of the total consumer loan portfolio) at December 31, 1999, $26.7 million (or 2.67% of the total consumer loan portfolio) at December 31, 1998 and $24.5 million (or 2.29% of the total consumer loan portfolio) at December 31, 1997. The decrease in the ratio and amount of non-accruing loans was the result of the improvement on the credit quality of the portfolio. This improvement resulted in a decrease in charge off of consumer loans to $52 million in 1999 from $67.9 million in 1998, and $57.3 million in 1997.

Other Real Estate Owned (OREO)

OREO acquired in settlement of loans is carried at the lower of cost (carrying value of the loan) or fair value less estimated cost to sell off the real estate at the date of acquisition.

Repossessed Property

The Repossessed Property category includes repossessed boats and autos acquired in settlement of loans. Repossessed boats are recorded at the lower of cost or estimated fair value. Repossessed autos are recorded at the principal balance of the loans less an estimated loss on the disposition of certain units.

Past Due Loans

Past due loans are accruing commercial and consumer loans, which are contractually delinquent 90 days or more. Past due commercial loans are current as to interest but delinquent in the payment of principal. Past due consumer loans include personal lines of credit and credit card loans delinquent 90 days up to 179 days and personal loans (including small loans) delinquent 90 days up to 119 days.

Sources of Funds

The Corporation's principal funding sources are branch-based deposits, institutional deposits, federal funds purchased, securities sold under agreements to repurchase, and notes.

Deposits

Total deposits amounted to $2,565 million at December 31, 1999, as compared to $1,775 million and $1,595 million at December 31, 1998 and 1997, respectively.

The following table presents the composition of total deposits.

December 31,	1999	1998 (Dollars in thousands)	1997
Savings accounts	$ 447,946	$ 416,424	$ 403,129
Interest bearing checking accounts	162,601	130,883	121,452
Certificates of deposit	1,742,978	1,054,634	929,955
Interest bearing deposits	2,353,525	1,601,941	1,454,536
Non-interest bearing deposits	211,896	173,104	140,099
Total	$2,565,421	$1,775,045	$1,594,635
Weighted average rate during the period on interest bearing deposit	4.69%	4.71%	4.80%
Interest bearing deposits:			
Average balance outstanding	$1,927,614	$1,494,529	$1,502,975
Non-interest bearing deposits:			
Average balance outstanding	179,478	145,357	127,256

Total deposits are composed of branch-based deposits and institutional deposits. Institutional deposits include brokered certificates of deposits and certificates issued to agencies of the Government of Puerto Rico.

Total interest bearing deposits increased by $751.6 million at December 31, 1999 when compared to December 31, 1998. This fluctuation was mainly due to:
(1) an increase in branch-based deposits of $206.7 million; (2) an increase of $560 million in brokered certificates of deposits; net of (3) a decrease of $10 million in certificates issued to corporations operating under Internal Revenue Code Section 936; and (4) a decrease of $5.0 million in certificates issued to the agencies of the Government of Puerto Rico.

Non-interest bearing deposits increased by $38.8 million in 1999. The increase in total branch based deposits includes the deposits of the five branches acquired from other financial institutions.

Borrowings

At December 31, 1999 total borrowings amounted to $1,804 million as compared to $1,931 million and $1,458 million at December 31, 1998 and 1997, respectively. The following table presents the composition of borrowings.

December 31,	1999	1998 (Dollars in thousands)	1997
Federal funds purchased and securities sold under agreements to repurchase	$1,452,151	$1,623,698	$ 965,869
Other short term borrowings	152,484	86,595	231,505
Advances from FHLB	50,000	2,600	29,000
Notes payable	55,500	118,100	132,350
Subordinated notes	93,594	99,496	99,423
Total	$1,803,729	$1,930,489	$1,458,147
Weighted average rate during the period	5.34%	5.41%	5.67%

The Corporation uses federal funds purchased, repurchase agreements, advances from FHLB and notes payable as additional funding sources. The borrowings of the Corporation consist primarily of federal funds purchased and securities sold under agreements to repurchase (repurchase agreements) which at December 31, 1999 amounted to $1,452.2 million or 81% of total borrowings. Repurchase agreements had a total weighted average cost of 5.07%, during the year ended December 31, 1999. For more information on borrowings please refer to Notes 20 through 24 of the Corporation's financial statements.

The composition and weighted average interest rates of interest bearing liabilities at December 31, 1999, were as follows:

	Amount (In thousands)	Weighted Average rate
Interest bearing deposits	$2,353,525	4.94%
Borrowed funds	1,803,729	5.60%

Capital

During 1999, the Corporation increased its total capital from $270.4 million at December 31, 1998 to $294.9 million at December 31, 1999. Total capital increased by $24.5 million due to earnings of $62.1 million, the issuance of 3,600,000 shares of preferred stock at $86.9 million, the issuance of 13,000 shares of common stock through the exercise of stock options at a cost of $176,313, reduced by the repurchased shares of common stock at a total cost of $32.5 million, an unrealized loss on investment securities available for sale of $77.4 million and cash dividends of $14.7 million.

The Corporation's objective is to maintain a solid capital position above the "well capitalized" classification under the federal banking regulations. The Corporation continues to exceed the well capitalized guidelines. To be in a "well capitalized" position, an institution should have:
(i) a leverage ratio of 5% or greater; (ii) a total risk based capital ratio of 10% or greater; and (iii) a Tier 1 risk-based capital ratio of 6% or greater. At December 31, 1999 the Corporation had a leverage ratio of 7.47%; a total risk based capital ratio of 16.16%; and a Tier 1 risk-based capital ratio of 11.64%.

Dividends

In 1999, 1998 and 1997 the Corporation declared four quarterly cash dividends of $0.09, $0.075 and $0.06 per common share, respectively, for an annual dividend of $0.36, $0.30 and $0.24, respectively. Total cash dividends paid on common shares amounted to $10.4 million for 1999 (or a 17.96% dividend payout ratio), $8.9 million for 1998 (or a 17.12% dividend payout ratio) and $7.2 million for 1997 (or a 15.14% dividend payout ratio). Dividends declared on preferred stock amounted to $4.3 million in 1999.

Year 2000

The transition to the year 2000 occurred as expected without any significant problems on the Corporation's computer systems or any other date sensitive operating equipment. The expenses incurred to comply with the year 2000 date change amounted to approximately $1.4 million for the year 1999 and $650,000 for the year 1998.

Asset/Liability Management

The Corporation has a formal system of interest rate risk management. Management recognizes that it may sometimes be necessary to forego earning opportunities in order to maintain a stable stream of net interest income as interest rates rise and fall.

Management monitors the Corporation's interest rate risk position primarily through computer simulations of the effect of rising and falling interest rates on net interest income. Two sets of simulations are carried out, both of which cover a two year time horizon: one assuming a flat balance sheet with a constant asset/liability mix and another assuming a balance sheet which grows according to expected loan originations and funding. These simulations also incorporate expected changes in prepayment rates as interest rates rise or fall, repricing characteristics of variable rate assets and liabilities, current and expected lending rates, funding sources and costs. Other factors, which may be potentially important in determining the future growth of net interest income (i.e. planned securitizations and liquidity requirements), are considered in these simulations.

Management also uses one year GAP analysis as a secondary technique for evaluating interest rate risk. The Corporation's one year GAP fluctuated between a negative 2% and a negative 27% of assets during 1999. Management considers that the ranges of the GAP ratio achieved during 1999 are adequate, considering the Corporation's net interest margin and capital ratios.

The Corporation's interest rate risk position is measured on a quarterly basis and is evaluated by the Asset Liability Management and Investment Committee. This Committee is in charge, among other things, of informing Management as to the current levels of interest rate risk and, when necessary, managing the repricing of the Corporation's assets, liabilities and off balance sheet contracts to maintain that risk at reasonable and prudent levels.

Liquidity

Liquidity refers to the level of cash and eligible investments to meet loan and investment commitments, potential deposit outflows and debt repayments. The Asset Liability Management and Investment Committee, using measures of liquidity developed by Management reviews the Corporation's liquidity position and liquidity targets on a weekly basis.

The principal sources of short-term funds are loan repayments, deposits, securities sold under agreements to repurchase, and lines of credit with the FHLB and other financial institutions. The Investment Committee reviews credit availability on a regular basis. In addition, the Corporation has securitized and sold auto and mortgage loans as supplementary sources of funding. Commercial paper has also provided additional funding. The Corporation has obtained long-term funding through the issuance of notes and long-term institutional certificates of deposit. The Corporation's principal uses of funds are the origination of loans and the repayment of maturing deposit accounts and borrowings.

Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in conformity with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, substantially all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a greater impact on a financial institution's performance than the effects of general levels of inflation. Interest rate movements are not necessarily correlated with changes in the prices of goods and services.

Market Prices and Stock Data

The Corporation's common stock is traded in the New York Stock Exchange (NYSE) under the symbol FBP. On December 31, 1999, there were 641 holders of record of the Corporation's common stock.

The following table sets forth the high and low prices of the Corporation's common stock for the periods indicated as reported by the NYSE. Common stock prices were adjusted to give retroactive effect to the stock split declared in May 1998.

Quarter ended	High	Low
1999:		
December	$22.81	$19.25
September	24.75	19.75
June	28.50	22.00
March	30.38	22.69
1998:		
December	$30.50	$21.38
September	29.50	23.63
June	29.63	22.72
March	23.88	16.50
1997:		
December	$18.82	$15.13
September	17.75	12.53
June	13.63	11.69
March	14.38	12.50

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

First BanCorp manages its asset/liability position in order to limit the effects of changes in interest rates on net interest income, subject to other goals of Management and within guidelines set forth by the Board of Directors.

The day-to-day management of interest rate risk, as well as liquidity management and other related matters, is assigned to the Asset Liability Management and Investment Committee (ALCO). The ALCO is composed of the following officers: President and CEO, Senior Executive Vice President/Chief Financial Officer, Senior Executive Vice President/Chief Lending Officer, Executive Vice President and President of Money Express, Senior Vice President/Investments, and the Economist. The ALCO meets on a weekly basis. The Economist also acts as secretary, keeping minutes of all meetings.

Committee meetings focus on, among other things, current and expected conditions in world financial markets, competition and prevailing rates in the local deposit market, reviews of liquidity, unrealized gains and losses in securities, recent or proposed changes to the investment portfolio, alternative funding sources and their costs, hedging and the possible purchase of derivatives such as swaps and caps, and any tax or regulatory issues which may be pertinent to these areas. The ALCO approves pricing and funding decisions in the light of the Corporation's overall growth strategies and objectives. On a quarterly basis the ALCO performs a comprehensive asset/liability review, examining the measures of interest rate risk described below together with other matters such as liquidity and capital.

The Corporation uses simulations to measure the effects of changing interest rates on net interest income. These measures are carried out in two ways, assuming upward and downward interest rate movements of 200 basis points:

(1) using a balance sheet which is assumed to be flat at the levels existing on the simulation date, and

(2) using a balance sheet which has growth patterns and strategies similar to those which have occurred in the recent past.

Assuming a flat balance sheet, tax equivalent net interest income for the twelve months following December 31, 1999 and 1998 would be $203.3 million and $207.1 million, respectively, under flat rates, $183.5 million and $185.4 million, respectively, under rising rates, and $222.3 million and $211.0 million, respectively, under falling rates. Assuming a growing balance sheet, tax equivalent net interest income for 1999 would be $213.5 million under flat rates (1998 - $209.1 million), $192.9 million under rising rates (1998 - $188.3 million) and $228.4 million under falling rates (1998 - $212.5 million). These simulations do not represent what actual results would be, since interest rate risk management is dynamic, and can be adjusted depending on the committee's interest rate outlook.

These simulations assume gradual upward or downward movements of interest rates over one year, with the change totaling 200 basis points at the end of the twelve month period. The balance sheet is divided into groups of similar assets and liabilities in order to simplify the process of carrying out these projections. As interest rates rise or fall, these simulations incorporate expected future lending rates, current and expected future funding sources and cost, the possible exercise of options, liquidity requirements, and other factors which may be important in determining the future growth of net interest income. Only interest and fee income is included in these projections; profits on the sale of assets are excluded. All computations are done on a tax equivalent basis, including the effects of the changing cost of funds on the tax-exempt spreads of certain investments. The projections are carried out for First BanCorp on a fully consolidated basis.

These simulations are highly complex, and they use many simplifying assumptions which are intended to reflect the general behavior of the Corporation over the period in question, but there can be no assurance that actual events will parallel these assumptions in all cases. For this reason, the results of these simulations are only approximations of the true sensitivity of net interest income to changes in market interest rates.

PricewaterhouseCoopers

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Report of Independent Accountants

To the Board of Directors and Stockholders of First BanCorp:

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows present fairly, in all material respects, the financial position of First BanCorp and its subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP
February 25, 2000

CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)
License No. 216 Expires Dec. 1, 2001
Stamp 1603154 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

FIRST BANCORP
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, 1999	December 31, 1998
Assets		
Cash and due from banks	$ 58,267,929	$ 39,416,097
Money market instruments	35,217,064	525,669
Investment securities available for sale, at market:		
United States and Puerto Rico Government obligations	340,356,015	268,611,106
Mortgage backed securities	1,017,176,782	1,492,538,909
Other investments	96,541,374	1,620,000
Total investment securities available for sale	1,454,074,171	1,762,770,015
Investment securities held to maturity, at cost:		
United States and Puerto Rico Government obligations	97,349,381	26,921,836
Mortgage backed securities	206,696,658	
Total investment securities held to maturity	304,046,039	26,921,836
Federal Home Loan Bank (FHLB) stock	17,826,500	10,270,600
Loans held for sale	37,794,078	20,641,628
Loans receivable	2,707,574,019	2,099,412,756
Total loans	2,745,368,097	2,120,054,384
Allowance for loan losses	(71,784,237)	(67,854,066)
Total loans - net	2,673,583,860	2,052,200,318
Other real estate owned	517,405	3,642,525
Premises and equipment - net	61,947,817	51,537,192
Accrued interest receivable	17,917,526	10,738,072
Due from customers on acceptances	2,738,176	2,392,338
Other assets	95,431,678	56,937,413
Total assets	$4,721,568,165	$4,017,352,075
Liabilities and Stockholders' Equity		
Liabilities:		
Non-interest bearing deposits	$ 211,896,459	$ 173,103,709
Interest bearing deposits	2,353,525,177	1,601,941,185
Federal funds purchased and securities sold under agreements to repurchase	1,452,151,222	1,623,697,988
Other short-term borrowings	152,484,084	86,594,710
Advances from FHLB	50,000,000	2,600,000
Notes payable	55,500,000	118,100,000
Bank acceptances outstanding	2,738,176	2,392,338
Accounts payable and other liabilities	54,776,718	39,058,247
	4,333,071,836	3,647,488,177
Subordinated notes	93,594,080	99,495,830
Stockholders' equity:		
Preferred Stock, authorized 50,000,000 shares: issued and outstanding 3,600,000 shares at $25.00 liquidation value per share	90,000,000	
Common stock, $1.00 par value, authorized 250,000,000 shares; issued 29,612,552 shares	29,612,552	29,599,552
Less: Treasury Stock (at par value)	(1,552,000)	(100,000)
Common stock outstanding	28,060,552	29,499,552
Additional paid-in capital	19,863,466	23,575,936
Capital reserve	40,000,000	30,000,000
Legal surplus	126,792,514	53,454,469
Retained earnings	58,834,676	125,088,180
Accumulated other comprehensive income - unrealized gain (loss) on securities available for sale, net of tax	(68,648,959)	8,749,931
	294,902,249	270,368,068
Contingencies and commitments		
Total liabilities and stockholders' equity	$4,721,568,165	$4,017,352,075

The accompanying notes are an integral part of these statements.

FIRST BANCORP
CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31, 1999	1998	1997
Interest income:			
Loans	$260,741,177	$231,513,730	$225,524,452
Investment securities	106,770,856	88,312,096	55,310,691
Short-term investments	450,248	729,417	3,654,806
Dividends on FHLB stock	1,100,823	743,161	670,156
Total interest income	369,063,104	321,298,404	285,160,105
Interest expense:			
Deposits	90,489,121	70,418,359	72,147,084
Short-term borrowings	79,455,499	69,494,151	39,460,518
Notes payable	12,914,538	14,965,751	17,958,092
Advances from FHLB	470,590	251,707	863,599
Total interest expense	183,329,748	155,129,968	130,429,293
Net interest income	185,733,356	166,168,436	154,730,812
Provision for loan losses	47,960,500	76,000,000	55,675,500
Net interest income after provision for loan losses	137,772,856	90,168,436	99,055,312
Other income:			
Other fees on loans	12,886,541	11,157,852	10,898,586
Service charges on deposit accounts	8,540,291	7,843,837	7,363,369
Trading (loss) income	(7,946)	3,364,843	744,789
Fees on loans serviced for others	864,278	1,617,292	2,669,673
Gain on sale of investments	1,376,672	26,827,417	11,388,137
Rental income	2,609,657	2,291,814	1,935,169
Other operating income	6,592,940	5,136,795	4,865,788
Total other income	32,862,433	58,239,850	39,865,511
Other operating expenses:			
Employees' compensation and benefits	48,545,839	43,185,324	38,644,042
Occupancy and equipment	20,137,354	18,154,663	16,101,054
Taxes and insurance	6,778,354	6,577,894	6,575,896
Net (gain) cost of operations and disposition of other real estate owned	(303,359)	42,359	(21,128)
Amortization of debt issuance costs	612,404	691,411	787,745
Other	25,501,303	23,146,048	21,180,662
Total other operating expenses	101,271,895	91,797,699	83,268,271
Income before income tax provision	69,363,394	56,610,587	55,652,552
Income tax provision	7,288,445	4,798,200	8,125,000
Net income	$62,074,949	$ 51,812,387	$47,527,552
Earnings per common share - basic	$2.00	$1.75	$1.58
Earnings per common share - diluted	$1.98	$1.74	$1.58

The accompanying notes are an integral part of these statements.

FIRST BANCORP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 1999	1998	1997
Cash flows from (for) operating activities:			
Net income	$ 62,074,949	$ 51,812,387	$ 47,527,552
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	7,645,035	7,827,866	7,281,936
Provision for loan losses	47,960,500	76,000,000	55,675,500
Increase in taxes payable	2,345,647	3,454,049	1,464,869
Increase in deferred tax asset	(6,702,849)	(11,454,033)	(1,765,992)
(Increase) decrease in accrued interest receivable	(7,179,454)	2,297,862	(3,843,610)
Increase (decrease) in accrued interest payable	10,056,988	1,072,485	(2,371,552)
Amortization of deferred loan fees (costs)	(680,735)	881,411	(30,868)
Net gain on sale of investments securities	(1,376,673)	(26,827,417)	(11,388,137)
Originations of loans held for sale	(18,222,990)	(9,086,622)	(7,668,575)
Proceeds from sale of loans	1,266,787		1,249,543
Decrease in other assets	12,950,921	20,776,413	48,813,231
Increase (decrease) in other liabilities	5,012,929	1,718,242	(3,157,333)
Total adjustments	53,076,106	66,660,256	84,259,012
Net cash provided by operating activities	115,151,055	118,472,643	131,786,564
Cash flows from (for) investing activities:			
Principal collected on loans	719,964,127	559,726,839	661,129,038
Loans originated	(1,270,442,873)	(797,256,751)	(819,802,988)
Purchase of loans	(118,603,000)	(1,330,497)	
Sales of investment securities	9,630,866	302,128,585	118,004,497
Purchase of securities held-to-maturity	(277,624,203)		(18,837,919)
Purchases of securities available-for-sale	(6,069,805,410)	(6,899,653,771)	(8,185,668,960)
Principal repayments and maturities of securities held-to-maturity	500,000	34,782,596	27,591,758
Principal repayments of securities available-for-sale	6,267,048,544	6,061,838,410	7,518,487,101
Additions to premises and equipment	(18,055,660)	(10,917,891)	(6,739,859)
Purchase of FHLB stock	(7,555,900)	(120,300)	
Net cash used by investing activities	(764,943,509)	(750,802,780)	(705,837,332)
Cash flows from (for) financing activities:			
Net increase (decrease) in deposits	790,376,740	180,410,210	(109,290,923)
Net increase (decrease) in federal funds purchased and securities sold under repurchase agreements	(172,898,023)	654,760,505	381,012,600
Net increase (decrease) in other short-term borrowings	65,889,375	(144,910,185)	231,504,896
FHLB-N.Y. advances taken/paid	47,400,000	(26,400,000)	14,900,000
Payments of notes payable	(68,501,750)	(14,177,660)	(54,010,993)
Decrease (increase) in debt securities issuance cost	1,211,219	(1,049,270)	957,972
Dividends	(14,657,799)	(8,870,832)	(7,197,417)
Repurchase of common stock		(3,656,420)	(6,899,822)
Issuance of preferred stock	86,850,217		
Treasury stock acquired	(32,510,611)	(2,211,250)	
Exercise of stock options	176,313	196,501	382,249
Net cash provided by financing activities	703,335,681	634,091,599	451,358,562
Net increase (decrease) in cash and cash equivalents	53,543,227	1,761,462	(122,692,206)
Cash and cash equivalents at beginning of year	39,941,766	38,180,304	160,872,510
Cash and cash equivalents at end of year	$ 93,484,993	$ 39,941,766	$ 38,180,304
Cash and cash equivalents include:			
Cash and due from banks	$ 58,267,929	$ 39,416,097	$ 37,666,068
Money market instruments	35,217,064	525,669	514,236
	$ 93,484,993	$ 39,941,766	$ 38,180,304

The accompanying notes are integral part of these statements.

FIRST BANCORP
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred stock	Common stock	Additional paid-in capital	Capital reserve	Legal surplus	Retained earnings	Unrealized gain (loss)on securities available for sale
December 31, 1996	$	$ 15,116,651	$ 38,599,962	$10,000,000	$49,106,995	$77,711,586	$ 607,119
Net income						47,527,552	
Change in valuation of securities available for sale							11,424,325
Addition to legal surplus					4,347,474	(4,347,474)	
Addition to capital reserve				10,000,000		(10,000,000)	
Repurchase of common stock		(247,825)	(495,650)			(6,156,347)	
Stock option exercised		33,000	349,249				
Cash dividends-common stock						(7,197,417)	
December 31, 1997		14,901,826	38,453,561	20,000,000	53,454,469	97,537,900	12,031,444
Net income						51,812,387	
Change in valuation of securities available for sale							(3,281,513)
Addition to capital reserve				10,000,000		(10,000,000)	
Repurchase of common stock		(108,800)	(217,600)			(3,330,024)	
Treasury stock		(100,000)	(50,000)			(2,061,250)	
Stock option exercised		10,000	186,501				
Cash dividends-common stock						(8,870,832)	
Common stock split on May 29, 1998		14,796,526	(14,796,526)				
December 31, 1998		29,499,552	23,575,936	30,000,000	53,454,469	125,088,180	8,749,931
Net income						62,074,949	
Change in valuation of securities available for sale							(77,398,890)
Issuance of preferred stock	90,000,000		(3,149,783)				
Addition to legal surplus					73,338,045	(73,338,045)	
Addition to capital reserve				10,000,000		(10,000,000)	
Treasury stock		(1,452,000)	(726,000)			(30,332,611)	
Stock options exercised		13,000	163,313				
Cash dividends:							
Common stock						(10,382,797)	
Preferred stock						(4,275,000)	
December 31, 1999	$90,000,000	$28,060,552	$19,863,466	$40,000,000	$126,792,514	$ 58,834,676	$(68,648,959)

The accompanying notes are an integral part of these statements.

FIRST BANCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 1999	1998	1997
Net income	$62,074,949	$51,812,387	$47,527,552
Other comprehensive income net of tax:			
Unrealized (losses) gains on securities:			
Unrealized holding (losses) gains arising during the period	(76,501,672)	8,102,283	12,081,362
Less: reclassification adjustment for gains included in net income	897,218	11,383,796	657,037
Total other comprehensive (loss) income	(77,398,890)	(3,281,513)	11,424,325
Comprehensive (loss) income	$(15,323,941)	$48,530,874	$58,951,877

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Nature of Business

First BanCorp (the Corporation) was incorporated on October 1st, 1998 under the laws of the Commonwealth of Puerto Rico to serve as the bank holding company for FirstBank Puerto Rico (FirstBank or the Bank). As a result of this reorganization each of the Bank's outstanding shares of common stock was converted into one share of common stock of the new bank holding company. First BanCorp is subject to the Federal Bank Holding Company Act and to the regulations, supervision, and examination of the Federal Reserve Board.

FirstBank, the Corporation's subsidiary, is a commercial bank chartered under the laws of the Commonwealth of Puerto Rico. Its main office is located in San Juan, Puerto Rico, and has 45 full service banking branches in Puerto Rico and three in the U.S. Virgin Islands. It also has loan origination offices in Puerto Rico focusing on consumer loans and residential mortgage loans. In addition, through its wholly owned subsidiaries, FirstBank operates other offices in Puerto Rico specializing in small personal loans, finance leases and vehicle rental. The Bank is subject to the supervision, examination and regulation of the Office of the Commissioner of Financial Institutions of Puerto Rico and the Federal Deposit Insurance Corporation (FDIC), which insures its deposits through the Savings Association Insurance Fund (SAIF).

Note 2 - Summary of Significant Accounting Policies

The accounting and reporting policies of the Corporation and its subsidiaries conform with generally accepted accounting principles, and, as such, include amounts based on judgments, estimates and assumptions made by Management that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Following is a description of the more significant accounting policies followed by the Corporation:

Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, all of which are wholly owned. All significant intercompany balances and transactions have been eliminated in consolidation.

Statement of cash flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and money market instruments.

Segments of the Corporation and related information

Operating segments are components of the Corporation about which separate financial information is available based on which Management makes operating decisions and assesses performance.

Securities purchased under agreements to resell

The Corporation enters into purchases of securities under agreements to resell the same securities. Amounts advanced under these agreements represent short-term loans and are reflected as assets in the statements of financial condition. The Corporation monitors the market value of the underlying securities as compared to the related receivable, including accrued interest, and requests additional collateral where deemed appropriate.

Investment securities

The Corporation classifies its investments in debt and equity securities into one of three categories:

Held to maturity - Securities for which the entity has the positive intent and ability to hold to maturity. These securities are carried at amortized cost.

Trading - Securities that are bought and held principally for the purpose of selling them in the near term. These securities are carried at fair value, with unrealized gains and losses reported in earnings.

Available for sale - Securities not classified as trading or as held to maturity. These securities are carried at fair value, with unrealized holding gains and losses net of estimated tax effect, excluded from earnings and reported in other comprehensive income as a separate component of stockholders' equity.

Premiums and discounts are amortized as an adjustment to interest income over the life of the related securities using a method that approximates the interest method. Realized gains or losses on securities are reported in earnings. When computing realized gains or losses, the cost of securities is determined on the specific identification method.

Loans and allowance for loan losses

Loans are stated at their outstanding balance less unearned interest and net deferred loan origination fees and costs. Unearned interest on installment loans (i.e., personal and auto) is recognized as income under a method which approximates the interest method.

Loans on which the recognition of interest income has been discontinued are designated as non-accruing. When loans are placed on non-accruing status, any accrued but uncollected interest income is reversed and charged against interest income.

Consumer loans are classified as non-accruing when they are delinquent:
90 days or more for auto, boat and home equity reserve loans, 120 days or more for personal loans, and 180 days or more for credit cards and personal lines of credit. Commercial and mortgage loans are classified as non-accruing when they are delinquent 90 days or more. This policy is also applied to all impaired loans.

The Corporation provides for estimated losses on mortgage, commercial and consumer loans upon an evaluation of the risk characteristics of said loans, loss experience, economic conditions and other pertinent factors. Loan losses are charged and recoveries are credited to the allowance for loan losses.

Loan origination fees and costs

Loan origination fees and costs incurred in the origination of loans are deferred and amortized using the interest method or under a method that approximates the interest method over the life of the loans as an adjustment to interest income. When a loan is paid off or sold, any unamortized net deferred fee (cost) balance is credited (charged) to income.

Other real estate owned

Other real estate owned, acquired in settlement of loans, is carried at the lower of cost (carrying value of the loan) or fair value minus estimated cost to sell of the real estate at the date of acquisition. Subsequent to foreclosure, gains or losses resulting from the sale of these properties and losses recognized on the periodic reevaluations of these properties are credited or charged to net cost (gain) of operations and disposition of other real estate owned. The cost of maintaining and operating these properties is expensed as incurred.

Premises and equipment

Premises and equipment are carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the individual assets without exceeding 40 years. Depreciation of leasehold improvements is computed on the straight-line method over the terms of the leases or estimated useful lives of the improvements, whichever is shorter. Costs of maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred. Costs of renewals and betterments are capitalized. When assets are sold or disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings.

Intangible assets

Intangible assets consist of core deposits values which are amortized using straight line method over ten years.

Securities sold under agreements to repurchase

The Corporation enters into sales of securities under agreements to repurchase the same or similar securities. Generally, similar securities are securities from the same issuer, with identical form and type, similar maturity, identical contractual interest rates, similar assets as collateral and the same aggregate unpaid principal amount. The securities underlying the agreements remain in the asset accounts.

Amortization of debt issuance costs

Costs related to the issuance of debt are amortized under a method which approximates the interest method.

Treasury stock

The Corporation accounts for treasury stock at par value. Under this method, the treasury stock account is increased by the par value of each share of common stock reacquired. Any excess paid per share over the par value is debited to additional paid-in capital for the amount per share that it was originally credited. Any remaining excess is charged to retained earnings.

Stock option plan

The cost associated with stock option plan under which certain employees receive options to buy shares of stock of the Corporation must be recognized either by the fair value based method or the intrinsic value based method. The Corporation uses the intrinsic value based method of accounting. Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date or other measurement date over the amount an employee must pay to acquire the stock. If material, entities using the intrinsic value based method on awards granted to employees must make pro forma disclosures of net income and earnings per share, as if the fair value based method of accounting had been applied. Under the fair value based method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period.

Earnings per common share

Earnings per share-basic is calculated by dividing income available to common stockholders by the weighted average number of outstanding common shares. The computation of earnings per share-diluted is similar to the computation of earnings per share-basic except that the weighted average common shares are increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Stock options outstanding under the Corporation's stock option plan are considered in the earnings per share-diluted by application of the treasury stock method. Any stock splits or stock dividends are retroactively recognized in all periods presented in financial statements.

Reporting comprehensive income

Comprehensive income includes net income and several other items that current accounting standards require to be recognized outside of net income. This statement was implemented in 1998 and affected only financial statements' presentation. Reclassification of financial statements for earlier periods was presented for comparative purposes.

Reclassifications

Certain amounts in the 1998 and 1997 financial statements have been reclassified to conform with the 1999 presentation.

Accounting for derivative instruments and hedging activities

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including derivative instruments that are embedded in other contracts, and for hedging activities. SFAS No. 133 standardizes accounting for derivative instruments, including those embedded in other contracts, by requiring the recognition of all derivatives (both assets and liabilities) in the statement of financial position at fair value. In accordance with SFAS No. 133, changes in the fair value of derivative instruments are generally accounted for as current income or other comprehensive income, depending on their designation.

SFAS No. 133 generally provides for the matching of the timing of gain or loss recognition on the hedging instruments with the recognition of either the changes in the fair value of the hedged asset or liability, or the earnings effect of the hedged forecasted transaction.

On July 7, 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133". SFAS No. 137 delays the effective date of SFAS No. 133. SFAS No. 133 would be effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. Based on current volumes, Management expects that the adoption of SFAS No. 133 will not have a significant impact on the Corporation's financial position and results of operations.

Note 3 - Stockholders' Equity

Common stock

On April 30, 1998, the Corporation declared a two for one stock split on its then outstanding 14,796,526 shares of common stock. As a result, a total of 14,796,526 additional shares of common stock were issued on May 29, 1998. In addition, 10,000 and 13,000 shares of common stock were issued during 1998 and 1999 as part of the exercise of stock options under the Corporation's stock option plan.

The Corporation declared a cash dividend on its common stock of $0.24 per share in 1997, of $0.30 per share in 1998, and of $0.36 per share in 1999.

Stock repurchase plan and treasury stock

In 1996 a stock repurchase program was established (the 1996 Program) where the Corporation is authorized to repurchase in the open market, and retire from circulation or hold as treasury stock, up to ten percent of the 31,083,502 issued and outstanding shares of common stock at the time the program was approved by the stockholders. Under this program the Corporation repurchased a total of 1,452,000 shares of common stock at a cost of $32,510,611 during 1999, 317,600 shares of common stock at a cost of $5,867,674 during 1998, and 495,650 shares of common stock at a cost of $6,899,822 during 1997. The number of shares were adjusted to recognize the May 1998 stock split. From the total amount of stocks repurchased, 1,552,000 shares were held as treasury stock at December 31, 1999 (1998 - 100,000 shares) and were available for general corporate purposes.

In 1997 an additional stock repurchase program was established whereby the Corporation may repurchase in the open market shares of common stock, which amount represents 10% of the issued and outstanding shares after all shares authorized under the 1996 Program have been repurchased.

Preferred stock

The Corporation has 50,000,000 shares of authorized non-cumulative and non-convertible preferred stock with a par value of $1. This stock may be issued in series and the shares of each series shall have such rights and preferences as shall be fixed by the Board of Directors when authorizing the issuance of that particular series. On April 30, 1999, the Corporation issued 3,600,000 shares of preferred stock. The liquidation value per share is $25. Annual dividends of $1.78125 per share, are payable monthly, if declared by the board of directors. At December 31, 1998, no shares of preferred stock were outstanding.

Capital reserve

The capital reserve account was established to comply with certain regulatory requirements of the Office of the Commissioner of Financial Institutions of Puerto Rico related to the issuance of subordinated notes by FirstBank in 1995. An amount equal to 10% of the principal of the notes is set aside each year from retained earnings until the reserve equals the total principal amount. At the notes repayment date the balance in capital reserve is to be transferred to the legal surplus account or retained earnings after the approval of the Commissioner of Financial Institutions of Puerto Rico.

Legal surplus

The Banking Act of the Commonwealth of Puerto Rico requires FirstBank that a minimum of 10% of the net income for the year be transferred to legal surplus, until such surplus equals the total of paid in capital on common and preferred stock. Amounts transferred to the legal surplus account from the retained earnings account are not available for distribution to the stockholders.

Dividend restrictions

The Corporation is subject to certain restrictions generally imposed on Puerto Rico corporations (i.e., that dividends may be paid out only from the Corporation's net assets in excess of capital or in the absence of such excess, from the Corporation's net earnings for such fiscal year and/or the preceding fiscal year). The Federal Reserve Board has also issued a policy statement that provides that bank holding companies should generally pay dividends only out of current operating earnings.

Note 4 - Regulatory Capital Requirement

The Corporation is subject to various regulatory capital requirements imposed by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation must meet specific capital guidelines that involve quantitative measures of the Corporation's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Corporation's capital amounts and classification are also subject to qualitative judgment by the regulators about components, risk weightings and other factors.

Capital standards established by regulations require the Corporation to 0maintain minimum amounts and ratios of Tier 1 capital to total average assets (leverage ratio) and ratios of Tier 1 and total capital to risk-weighted assets, as defined in the regulations. The total amount of risk-weighted assets is computed by applying risk weighting factors to the Corporation's assets, which vary from 0% to 100% depending on the nature of the asset.

At December 31, 1999 and 1998, the Corporation exceeded the requirements for an adequately capitalized institution.

At December 31, 1999 and 1998, the Corporation also was a well capitalized institution under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Corporation must maintain minimum total risk based, Tier 1 risk based and Tier 1 leverage ratios as set forth in the following table. Management believes that there are no conditions or events that have changed that classification.

The Corporation's and its banking subsidiary's regulatory capital positions were as follows:

			Regulatory requirements			
	Actual		For capital adequacy purposes		To be well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
At December 31, 1999			(Dollars in thousands)			
Total Capital (to Risk-Weighted Assets):						
First BanCorp	$468,261	16.16%	$231,758	8%	$289,697	10%
FirstBank	409,173	14.26%	229,608	8%	287,010	10%
Tier I Capital (to Risk-Weighted Assets):						
First BanCorp	$337,284	11.64%	$115,879	4%	$173,818	6%
FirstBank	279,383	9.73%	114,804	4%	172,206	6%
Tier I Capital (to Average Assets):						
First BanCorp	$337,284	7.47%	$135,473	3%	$225,789	5%
FirstBank	279,383	6.26%	133,953	3%	223,255	5%

			Regulatory requirements			
	Actual		For capital adequacy purposes		To be well capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
At December 31, 1998			(Dollars in thousands)			
Total Capital (to Risk-Weighted Assets):						
First BanCorp	$377,939	17.39%	$173,835	8%	$217,294	10%
FirstBank	372,015	17.12%	173,817	8%	217,271	10%
Tier I Capital (to Risk-Weighted Assets):						
First BanCorp	$250,910	11.55%	$86,917	4%	$130,376	6%
FirstBank	244,989	11.28%	86,909	4%	130,363	6%
Tier I Capital (to Average Assets):						
First BanCorp	$250,910	6.59%	$114,204	3%	$190,340	5%
FirstBank	244,989	6.44%	114,204	3%	190,340	5%

Note 5 - Stock Option Plan

The Corporation has a stock option plan covering certain employees. The options granted under the plan cannot exceed 20% of the number of common shares outstanding. Each option provides for the purchase of one share of common stock at a price not less than the fair market value of the stock on the date the option is granted. The maximum term to exercise the options is ten years. The stock option plan provides for a proportionate adjustment in the exercise price and the number of shares that can be purchased in the event of a stock dividend, stock split, reclassification of stock, merger or reorganization and certain other issuance and distributions.

Following is a summary of the activity related to stock options as adjusted retroactively for the May 1998 stock split:

	Number of Options	Weighted Average Exercise Price per Option
At December 31, 1996	325,714	$ 6.15
Granted	240,000	15.45
Exercised	(66,000)	5.79
Expired or canceled	(25,714)	10.20
At December 31, 1997	474,000	10.68
Granted	296,000	24.85
Exercised	(13,500)	14.56
At December 31, 1998	756,500	16.16
Granted	223,000	19.99
Exercised	(13,000)	13.56
At December 31, 1999	966,500	17.07

The options outstanding at December 31, 1999 have an original expiration term of ten years and all of them are exercisable. The exercise price of the options outstanding at December 31, 1999 ranges from $5.79 to $28.38 and the weighted average remaining contractual life is approximately eight years.

Following is additional information concerning the stock options outstanding at December 31, 1999. The data included herein have been adjusted to reflect the May 1998 stock split.

Number of Options	Exercise Price per Option	Contractual Maturity
234,000	$ 5.79	November 2004
213,500	15.63	November 2007
60,000	19.19	February 2008
7,000	28.38	April 2008
40,000	27.09	May 2008
12,000	26.56	June 2008
177,000	26.00	November 2008
2,000	25.94	February 2009
3,500	26.44	April 2009
15,000	22.56	August 2009
202,500	19.63	November 2009
966,500		

Note 6 - Earnings Per Common Share

The calculations of earnings per common share for the years ended December 31, 1999, 1998 and 1997 follow (in thousands,except per share data):

	Year ended December 31, 1999	1998	1997
Net Income	$62,075	$51,812	$47,528
Less: Preferred stock dividend	(4,275)		
Net income-attributable to common stockholders	$57,800	$51,812	$47,528
Earnings per common share-basic:			
Net income - available to common stockholders	$57,800	$51,812	$47,528
Weighted average common shares outstanding	28,941	29,586	30,036
Earnings per common share-basic	$ 2.00	$ 1.75	$ 1.58
Earnings per common share-diluted:			
Net income - available to common stockholders	$57,800	$51,812	$47,528
Weighted average common shares and share equivalents:			
Average common shares outstanding	28,941	29,586	30,036
Common stock equivalents - Options	258	272	168
Total	29,199	29,858	30,204
Earnings per common share-diluted	$ 1.98	$ 1.74	$ 1.58

Had compensation cost for the stock options granted been determined based on the fair value at the grant date (as a result of the requirement explained in Note 2 - Stock option plan), the Corporation's net income and earnings per common share would have been reduced to the pro forma amounts indicated, as follow (in thousands, except per share data):

Pro forma earnings per common share:	Year ended December 31, 1999	1998	1997
Net income-available to common stockholders	$56,341	$48,592	$46,354
Earnings per common share-basic	$1.95	$1.64	$1.55
Earnings per common share-diluted	$1.93	$1.63	$1.54

Management uses the binomial model for the computation of the fair value of each option granted to buy shares of the Corporation's common stock. The fair value of each option granted during 1999, 1998 and 1997 was estimated using the following assumptions: weighted dividend growth of 22.38% (1999) and 21.97% (1998); expected life of 10 years; weighted expected volatility of 29.46% (1999), 36.08% (1998), and 29.8% (1997), and weighted risk-free interest rate of 6.04% (1999), 5.10% (1998) and 5.76% (1997). The weighted estimated fair value of the options granted was $6.54 (1999), $10.95 (1998) and $4.89 (1997) per option.

Note 7 - Cash and Due from Banks

The Corporation is required by law to maintain average reserve balances. The amount of those reserve average balances was approximately $40,975,700 at December 31, 1999 (1998 - $34,867,200).

Note 8 - Securities Purchased Under Agreements To Resell

At December 31, 1999 and 1998, there were no securities purchased under agreements to resell. The maximum aggregate balance outstanding at any month-end during 1999 was approximately $17,421,000 (1998 - $209,232,000). The average aggregate balance during 1999 was $1,577,504 (1998 - $15,009,052). The securities underlying these agreements are kept under the Corporation's control or held by the dealers through which the agreements were transacted. These securities are not recorded as assets of the Corporation.

Note 9 - Investment Securities Held For Trading

At December 31, 1999 and 1998, there were no securities held for trading purposes or options on such securities.

All trading instruments are subject to market risk, the risk that future changes in market conditions, such as fluctuations in market prices or interest rates, may make an instrument less valuable or more onerous. The instruments are accounted for at market value, and their changes are reported directly in earnings. The Corporation may write options on trading securities as part of its trading activities. Also the Corporation may enter in securities sold not yet purchased transactions for trading purposes. These transactions are carried at market value. Net gains and losses resulting from these transactions are recorded in the trading income or loss account.

The net loss from the sale of trading securities amounted to $7,946 for the year ended December 31, 1999 (a gain of $3,364,843 for 1998 and a gain of $744,789 for 1997), and were included in earnings as trading income.

Note 10 - Investment Securities Held To Maturity

The amortized cost, unrealized gains and losses, approximate market value, taxable equivalent weighted average yield and maturities of investment securities held to maturity at December 31, 1999 and 1998 were as follows (dollars in thousands):

	December 31, 1999					December 31, 1998				
	Amortized cost	Unrealized gains	(losses)	Market value	Weighted average yield%	Amortized cost	Unrealized gains	(losses)	Market value	Weighted average yield%
Obligations of U.S. Government Agencies:										
Within 1 year						$ 500		$(2)	$ 498	3.37
After 5 to 10 years	$10,000		$ (166)	$9,834	8.34					
After 10 years	83,756		(9,255)	74,501	9.15	23,051	$569		23,620	10.20
Puerto Rico Government Obligations:										
After 10 years	3,593	$57		3,650	7.46	3,371	204		3,575	7.41
Total	$97,349	$57	$(9,421)	$87,985	9.00	$26,922	$ 773	$(2)	$27,693	9.73
Mortgage backed securities: Government National Mortgage Association (GNMA) certificates										
After 10 years	$206,697		$(7,851)	$198,845	8.18					

Expected maturities of mortgage backed securities and certain other securities might differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Note 11 -Investment Securities Held For Sale

The amortized cost, gross unrealized gains and losses, approximate market value, taxable equivalent weighted average yield and maturities of investment securities held for sale at December 31, 1999 and 1998 were as follows (dollars in thousands):

	December 31, 1999					December 31, 1998				
	Amortized cost	Unrealized gains (losses)		Market value	Weighted average yield%	Amortized cost	Unrealized gains (losses)		Market value	Weighted average yield%
U.S. Treasury Securities:										
After 5 to 10 years	$39,577		$(4,302)	$35,275	4.90					
After 10 years	67,468		(9,621)	57,847	5.84					
Obligations of other U.S. Government Agencies:										
Within 1 year	219,065	$53	(58)	219,060	6.11	$240,040	$51		$240,091	5.00
After 10 years	27,457		(5,127)	22,330	8.36	25,619		$(159)	25,460	8.32
Puerto Rico Government Obligations:										
After 10 years	5,880	___	(36)	5,844	8.00	2,964	96	____	3,060	7.18
Total	$359,447	$53	$(19,144)	$340,356	6.13	$268,623	$147	$(159)	$268,611	5.35
Mortgage backed securities- Federal Home Loan Mortgage Corporation (FHLMC) certificates:										
Within 1 year						$ 4,564	$ 19		$ 4,583	7.84
After 1 to 5 years	$ 997		$ (25)	$ 972	8.07	1,001	9		1,010	8.14
After 5 to 10 years	9,905		(255)	9,650	7.02	10,169	149		10,318	7.68
After 10 years	22,872	$11	(155)	22,728	7.26	32,363	802		33,166	9.07
	33,774	11	(435)	33,350	7.21	48,097	979		49,077	8.64
Government National Mortgage Association (GNMA) certificates:										
After 5 to 10 years	3,674		(46)	3,628	6.39					
After 10 years	1,039,069	1,410	(76,054)	964,425	6.95	1,411,369	9,936	$(357)	1,420,947	6.91
	1,042,743	1,410	(76,100)	968,053	6.95	1,411,369	9,936	(357)	1,420,947	6.91
Federal National Mortgage Association (FNMA) certificates:										
Within 1 year						157	1		158	8.23
After 1 to 5 years	644		(7)	637	8.75	2,691	30		2,721	8.40
After 5 to 10 years	188		(6)	182	8.08	274	11		285	10.28
After 10 years	11,109	299	(46)	11,362	10.34	14,299	605	(10)	14,894	10.35
	11,941	299	(59)	12,181	10.22	17,421	647	(10)	18,058	10.02
Mortgage pass through certificates:										
After 10 years	2,463	757		3,220	11.70	2,764	767		3,530	9.33
Real Estate Mortgage Interest Conduit:										
Within 1 year	361	12		373	17.33					
After 1 to 5 years						865	62		927	11.63
Total	$1,091,282	$2,489	$(76,594)	$1,017,177	7.01	$1,480,516	$12,391	$(367)	$1,492,539	7.02
Other investment:										
Within 1 year	$ 67,359	$1,914		$69,273	6.73					
After 1 to 5 years	14,750		$ (88)	14,662	8.91					
After 5 to 10 years	11,779		(162)	11,617	8.69	$ 1,964		$(344)	$1,620	15.76
After 10 years	990			990	8.38					
Total	$ 94,878	$1,914	$(250)	$96,542	7.33	$1,964		$(344)	$1,620	15.76

Maturities for mortgage backed securities are based upon contractual terms assuming no repayments. The weighted average yield on investment securities held for sale is based on amortized cost, therefore it does not give effect to changes in fair value.

At December 31, 1999, the net unrealized loss of $68,648,959 (1998 - net unrealized gain of $8,749,931) on securities available for sale after the estimated income tax of $22,882,986 (1998 - $2,916,644) was reported as a separate component of stockholders' equity. For 1999 the change in the net unrealized holding gain on the available for sale securities amounted to a loss of $103,198,520 (1998 - a loss of $4,375,351) before estimated income taxes.

For 1999, proceeds from the sale of securities amounted to $9.6 million (1998 - $302.1 million, 1997 - $118.0 million) resulting in a realized gain of $1.4 million (1998 - $26.8 million, 1997 -$11.4 million). No losses were recognized on those sales.

Note 12 - Federal Home Loan Bank (FHLB) Stock

At December 31, 1999 and 1998, there were investments in FHLB stock with book value of $17,826,500 and $10,270,600, respectively. The estimated market value of such investments is its redemption value.

Note 13 - Interest and Dividend on Investments

A detail of interest and dividend income on investments follows (in thousands):

	Year ended December 31,		
	1999	1998	1997
Mortgage-backed securities:			
Taxable	$ 4,137	$ 5,230	$ 6,239
Exempt	77,900	63,131	24,481
	$ 82,037	$68,361	$30,720
Other investment securities:			
Taxable	$ 1,528	$ 801	$ 1,372
Exempt	24,758	20,621	27,544
	$26,286	$21,422	$28,916

Note 14 - Loans Receivable

The following is a detail of the loan portfolio:

	December 31, 1999	December 31, 1998
Residential real estate loans:		
Secured by first mortgages:		
Conventional	$ 395,884,613	$ 237,560,711
Insured by government agencies:		
Federal Housing Administration and Veterans Administration	6,543,487	8,185,232
Puerto Rico Housing Bank and Finance Agency	32,928,102	38,515,744
Secured by second mortgages	5,706,225	4,956,196
	441,062,427	289,217,883
Deferred loan and commitment fees - net	(5,293,370)	(6,848,311)
Residential real estate loans	435,769,057	282,369,572
Construction, land acquisition and land improvements	288,301,904	161,498,219
Undisbursed portion of loans in process	(156,233,791)	(98,535,025)
Construction loans	132,068,113	62,963,194
Commercial loans:		
Commercial loans	655,417,037	368,548,532
Commercial mortgage	371,642,698	332,219,186
Commercial loans	1,027,059,735	700,767,718
Finance leases	85,692,482	52,214,184
Consumer and other loans:		
Personal	422,722,624	463,052,946
Personal lines of credit	13,029,258	9,535,354
Auto	532,242,160	512,116,471
Boat	37,018,313	32,208,879
Credit card	168,045,087	125,955,592
Home equity reserve loans	2,656,713	3,385,220
Unearned interest	(148,835,815)	(145,284,440)
	1,026,878,340	1,000,970,022
Other	106,292	128,066
Consumer and other loans	1,026,984,632	1,001,098,088
Loans receivable	2,707,574,019	2,099,412,756
Loans held for sale	37,794,078	20,641,628
Total loans	2,745,368,097	2,120,054,384
Allowance for loan losses	(71,784,237)	(67,854,066)
Total loans-net	$2,673,583,860	$2,052,200,318

The Corporation's primary lending area is Puerto Rico. At December 31, 1999 and 1998 there is no significant concentration of credit risk in any specific industry on the loan portfolio.

At December 31, 1999, loans in which the accrual of interest income had been discontinued amounted to $53,816,000 (1998 - $56,958,000; 1997 - $52,939,000). If these loans had been accruing interest, the additional interest income realized would have been approximately $4,544,000 (1998 - $4,970,000; 1997 - $5,246,000). There are no material commitments to lend additional funds to borrowers whose loans were in non-accruing status at these dates.

At December 31, 1999 and 1998 mortgage loans held for sale amounted to $37,794,078 and $20,641,628, respectively. All mortgage loans originated and sold during 1999 and 1998 were sold based on pre-established commitments or at market values, which in both situations were equal or exceeded the carrying value of the loans.

At December 31, 1999, the Corporation was servicing mortgage loans owned by others aggregating approximately $134,348,000 (1998 - $147,439,000; 1997 - $168,416,000). As a result of the securitization of auto loans, at December 31, 1998 the Corporation was servicing auto loans aggregating approximately $19,567,000 (1997 - $59,049,000). During 1999 the auto loans securitized were paid off.

Various loans secured by first mortgages were assigned as collateral for term notes, certificates of deposit, advances from the Federal Home Loan Bank of New York, and unused lines of credit. The mortgage loans pledged as collateral amounted to $157,612,921 and $222,732,275 at December 31, 1999 and 1998, respectively. A portfolio of personal loans was assigned as collateral for short-term borrowings as explained in Note 21 - "Other Short-Term Borrowings." The personal loans pledged as collateral amounted to $186,417,700 and $220,443,511 at December 31, 1999 and 1998, respectively.

Note 15 - Allowance for Loan Losses

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

	Year ended December 31,		
	1999	1998	1997
Balance at beginning of period	$67,854,066	$57,711,927	$55,253,546
Provision charged to income	47,960,500	76,000,000	55,675,500
Losses charged against the allowance	(53,664,742)	(72,223,389)	(59,590,916)
Recoveries credited to the allowance	9,047,548	6,033,922	6,373,797
Other adjustments	586,865	331,606	
Balance at end of period	$71,784,237	$67,854,066	$57,711,927

At December 31, 1999, $4.4 million ($14.3 million at December 31, 1998) in commercial and real estate loans over $1,000,000 was considered impaired with an allowance of $1.3 million ($3.8 million at December 31, 1998). As of both periods, no increases in the provision for loan losses were necessary, since the allowance provided already covered the estimated impairment. There were no consumer loans over $1,000,000 considered impaired at December 31, 1999 and 1998. The average recorded investment in impaired loans amounted to $9.4 million for 1999 (1998 - $10.8 million). Interest income in the amount of approximately $428,470 was recognized on impaired loans for 1999 (1998 - approximately $736,000). No interest income was recognized in 1997 on the portfolio of impaired loans during the period they were impaired.

Note 16 - Related Party Transactions

The Corporation granted loans to its directors, executive officers and to certain related individuals or entities in the ordinary course of business. The movement and balance of these loans were as follows:

	Amount
Balance at December 31, 1997	$ 8,902,326
New loans	21,006,257
Payments	(8,379,759)
Balance at December 31, 1998	21,528,824
New loans	2,105,812
Payments	(541,851)
Balance at December 31, 1999	$23,092,785

Note 17 - Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation as follows:

	December 31, 1999	December 31, 1998
Land	$ 6,853,249	$ 5,825,249
Buildings and improvements	33,433,031	30,976,673
Leasehold improvements	14,222,676	10,807,734
Furniture and equipment	50,531,481	41,330,835
	105,040,437	88,940,491
Accumulated depreciation	(48,232,875)	(42,167,391)
	56,807,562	46,773,100
Projects in progress	5,140,255	4,764,092
Total premises and equipment - net	$61,947,817	$51,537,192

Note 18 - Other Assets

Following is a detail of other assets:

	December 31, 1999	December 31, 1998
Deferred tax asset	$54,645,143	$22,142,665
Accounts receivable	8,202,865	10,023,555
Prepaid expenses	9,243,210	10,219,939
Revenue earning vehicles	5,679,920	4,465,609
Other repossessed property	2,709,258	2,276,766
Insurance claims	1,618,037	1,778,133
Other	13,333,245	6,030,746
Total	$95,431,678	$56,937,413

Note 19 - Deposits and Related Interest

Deposits and related interest consist of the following:

	December 31, 1999	December 31, 1998
Type of account and interest rate at:		
Savings accounts - 2.75% to 4.00% (1998 - 2.75% to 4.00%)	$ 447,945,723	$ 416,423,889
Interest bearing checking accounts - 2.75% to 4.50% (1998 - 2.90% to 4.50%)	162,601,169	130,883,438
Non-interest bearing checking accounts	211,896,459	173,103,709
Certificate accounts - 3.80% to 8.00% (1998 - 3.80% to 7.15%)	1,742,978,285	1,054,633,858
	$2,565,421,636	$1,775,044,894

The weighted average interest rate on total deposits at December 31, 1999 and 1998 was 4.94% and 4.57%, respectively.

At December 31, 1999, the aggregate amount of demand deposits that were reclassified as loan amounted to $6,939,685 (1998 - $8,180,802).

The following table presents a summary of certificates of deposits with remaining term of more than one year at December 31, 1999 (in thousands):

	Total
Over one year to two years	$75,329
Over two years to three years	58,647
Over three years to four years	94,766
Over four years to five years	50,702
Over five years	153,346
Total	$432,790

At December 31, 1999 time deposits in denominations of $100,000 or higher amounted to $1,283,083,091 (1998 - $667,373,511) including brokered certificates of deposit of $843,217,222 (1998 - $283,249,222) at a weighted average rate of 5.84% (1998 - 5.63%).

At December 31, 1999, certificates of deposits aggregating $49,000,000 (1998 - $59,000,000) were guaranteed by irrevocable standby letters of credit issued by the Federal Home Loan Bank of New York and other banks. At December 31, 1999 specific mortgage loans with a carrying value of $71,165,714 (1998 - $137,483,494) and estimated market value of $58,992,705 (1998 - $141,951,708) and securities with a book value of $5,401,047 (1998 - $6,877,563) and approximate market value of $5,351,690 (1998 - $7,041,301) were pledged to the Federal Home Loan Bank of New York as part of the agreements covering the letters of credit.

At December 31, 1999, deposit accounts issued to government agencies with a carrying value of $62,378,476 (1998 - $67,306,284) were collateralized by securities with a carrying value of $78,782,695 (1998 - $70,892,236) and estimated market value of $75,677,459 (1998 - $72,177,444) and specific mortgage loans with a carrying value of $3,947,207 (1998 - $4,838,781) and estimated market value of $3,758,925 (1998 - $5,684,600).

A table showing interest expense on deposits follows:

	Year ended December 31,		
	1999	1998	1997
Savings	$12,380,515	$11,716,764	$12,155,192
Interest bearing checking accounts	4,931,452	4,486,582	4,167,371
Certificates	73,177,154	54,215,013	55,824,521
Total	$90,489,121	$70,418,359	$72,147,084

Note 20 - Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

Federal funds purchased and securities sold under agreements to repurchase (repurchase agreements) consist of the following:

	December 31, 1999	December 31, 1998
Federal funds purchased, interest rate (1998 - 5.32%)		$ 15,000,000
Repurchase agreements, interest ranging from 4.50% to 6.35% (1998 - 4.65% to 5.80%)	$1,447,732,029	1,605,630,051
	1,447,732,029	1,620,630,051
Accrued interest payable	4,419,193	3,067,937
Total	$1,452,151,222	$1,623,697,988

Federal funds purchased and repurchase agreements mature as follows:

	December 31, 1999	December 31, 1998
Federal funds purchased:		
One to thirty days		$ 15,000,000
Repurchase agreements:		
One to thirty days	$1,229,448,029	1,158,520,676
Over thirty to ninety days	8,450,000	247,109,375
Over ninety days	209,834,000	200,000,000
	1,447,732,029	1,605,630,051
Total	$1,447,732,029	$1,620,630,051

The following securities were sold under agreements to repurchase:

Underlying securities	Amortized cost of underlying securities	Balance of borrowing	Approximate market value of underlying securities	Weighted average interest rate
	December 31, 1999			
U.S. Treasury Securities and obligations of other U.S. Government Agencies	$ 325,528,692	$ 296,719,958	$ 303,107,211	5.77%
Mortgage backed securities	1,233,633,232	1,151,012,071	1,150,557,955	6.16%
Total	$1,559,161,924	$1,447,732,029	$1,453,665,166	
Accrued interest receivable	$ 3,152,900			

Underlying securities	Amortized cost of underlying securities	Balance of borrowing	Approximate market value of underlying securities	Weighted average interest rate
	December 31, 1998			
U.S. Treasury Securities and obligations of other U.S. Government Agencies	$ 216,073,870	$ 214,716,114	$ 216,111,108	5.13%
Mortgage backed securities	1,393,322,895	1,390,913,937	1,403,729,265	6.08%
Total	$1,609,396,765	$1,605,630,051	$1,619,840,373	
Accrued interest receivable	$ 4,321,371			

The weighted average interest rates of federal funds purchased and repurchase agreements at December 31, 1999 and 1998 was 5.38% and 5.03%, respectively.

At December 31, 1999, the securities underlying such agreements were delivered to, and are being held by the dealers with which the repurchase agreements were transacted, except for transactions where the Corporation has agreed to repurchase similar but not identical securities. The maximum aggregate balance outstanding at any month-end during 1999 was $1,631,913,357 (1998 - $1,648,513,898). The average balance during 1999 was approximately $1,441,486,000 (1998 - $1,225,726,000).

Note 21 - Other Short-Term Borrowings

On March 31, 1997, the Corporation entered into a $250,000,000 financing arrangement administered by Credit Suisse First Boston to be renewed annually within a term of three years. At December 31, 1999 borrowings through this arrangement amounted to $152,484,084 (1998 - $86,594,710). Interest periods under the financing agreement cannot exceed 100 days. The rate of interest for this type of financing, in which advances may be repaid or reborrowed at the option of the Corporation, is equivalent to A-1+/P-1 rated commercial paper. The weighted average maturity at December 31, 1999 was 36 days (1998 - 21 days).

The weighted average interest rate of these borrowings at December 31, 1999 and 1998 was 6.20% and 6.38%, respectively. The maximum aggregate balance outstanding at any month-end was approximately $152,484,084 (1998 - $224,780,000). The average aggregate balance outstanding during the year was approximately $97,373,301 (1998 - $111,236,888).

Under this arrangement, the Corporation is required to maintain eligible collateral consisting of personal loans owned by the Corporation to secure this borrowing. The Corporation has to maintain at all times the aggregate outstanding balance of the borrowing at a maximum of 85% of the aggregate book value of the personal loans placed as collateral. The aggregate book value of the loans pledged as collateral at December 31, 1999 amounted to $186,417,700 (1998 - $220,443,511).

Note 22 - Advances From The Federal Home Loan Bank of New York (FHLB-N.Y.)

Following is a detail of the advances from the FHLB-NY:

Maturity	Interest rate	December 31, 1999	December 31, 1998
February 3, 2000	5.86%	$20,000,000	
February 28, 2000	6.03%	30,000,000	
January 4, 1999	5.13%		$2,600,000
Total		$50,000,000	$2,600,000

Advances are received from the FHLB-N.Y. under an Advances, Collateral Pledge and Security Agreement (the Collateral Agreement). Under the Collateral Agreement, the Corporation is required to maintain a minimum amount of qualifying mortgage collateral with a market value at least 110% of the outstanding advances. At December 31, 1999, specific mortgage loans with an estimated market value of $56,303,500 (1998 - $3,155,152) were pledged to the FHLB-N.Y. as part of the Collateral Agreement. The carrying value of such loans at December 31, 1999 amounted to $55,000,000 (1998 - $2,860,000).

Note 23 - Notes Payable

Following is a detail of notes payable outstanding:

Issue date (footnote)	Maturity	December 31, 1999 Interest rate	December 31, 1999	December 31, 1998
February 11, 1994 (b)	1999	5.44%		$ 2,100,000
May 13, 1994 (b)	1999	6.19%		10,000,000
May 26, 1994 (b)	1999	6.09%		5,000,000
September 7, 1994 (a)	1999	4.33%		15,500,000
September 29, 1994 (a)	1999	6.40%		30,000,000
September 12, 1996 (b)	2001	5.82%	$10,000,000	10,000,000
September 20, 1996 (b)	2001	5.61%	20,500,000	20,500,000
September 20, 1996 (a)	2001	5.49%	25,000,000	25,000,000
Total			$55,500,000	$118,100,000

Footnotes:

a. These notes have the benefit of a firm commitment issued by the FHLB-N.Y. whereby it will make advances to pay the principal and interest on the notes as they become due if the Corporation fails to do so. The Corporation is required to maintain as collateral with the FHLB-N.Y. securities having an aggregate market value, determined monthly, equal to 110% of the aggregate outstanding principal amount of the notes plus interest. The collateral securities may consist of a combination of all or some of the following: (i) home mortgage loans owned by the Corporation and secured by first mortgages on real properties in Puerto Rico; (ii) obligations of, or guaranteed by, the United States Government or certain agencies; (iii) fully-modified pass-through mortgage backed certificates guaranteed by GNMA; (iv) mortgage participation certificates issued by FHLMC; (v) guaranteed mortgage pass-through certificates issued by FNMA; and (vi) certain certificates of deposit issued by banks approved by the FHLB-N.Y.

At December 31, 1999, specific mortgage loans with a book value of $27,500,000 (1998 - $77,550,000) and an estimated market value of $28,459,750 (1998 - $88,887,810) were pledged to the FHLB-N.Y. as part of the agreement covering the above mentioned firm commitment. The estimated market value was computed based on parameters given by the Federal Home Loan Bank.

b. The Corporation is required to maintain with the holder of these notes, cash or securities with a market value of at least 105% of the aggregate amount of the notes. The aggregate estimated market value and carrying value of the eligible collateral at December 31, 1999 amounted to $30,152,980 (1998 - $46,162,955) and $29,793,954 (1998 - $45,328,289), respectively.

Note 24 - Subordinated Notes

On December 20, 1995, the Bank issued 7.63% subordinated capital notes in the amount of $100,000,000 maturing in 2005. The notes were issued at a discount. At December 31, 1999 the outstanding balance net of the unamortized discount and notes repurchased in 1999 was $93,594,080 (1998 - $99,495,830). Interest on the notes is payable semiannually and at maturity. The notes represent unsecured obligations of the Bank ranking subordinate in right of payment to all existing and future senior debt including the claims of depositors and other general creditors. The notes may not be redeemed prior to their maturity. At December 31, 1999, the Bank has transferred to capital reserves from the retained earnings account $40,000,000, as a result of the requirement explained in Note 3 - "Stockholders' Equity."

Note 25 - Unused Lines Of Credit

The Corporation maintains unsecured standby lines of credit with other banks. At December 31, 1999, the Corporation's total unused lines of credit with these banks amounted to approximately $123,500,000 (1998 - $69,500,000). At December 31, 1999, the Corporation has an available line of credit with the FHLB guaranteed with excess collateral, in the amount of $2,812,126 (1998 - $20,808,133).

Note 26 - Employees' Benefit Plan

FirstBank has a defined contribution retirement plan (the Plan) qualified under the provisions of the Puerto Rico Internal Revenue Code Section 1165(e). All employees (excluding the Bank's subsidiaries) are eligible to participate in the Plan after one year of service. Under the provisions of the Plan, the Bank is required to make a contribution of a quarter of the first 4% of each participant's compensation. Participants are permitted to contribute up to 10% of their annual compensation, limited to $8,000 per year. Additional contributions to the Plan are voluntarily made by the Bank as determined by its Board of Directors. The Bank made a total contribution of $625,375, $575,000 and $540,000 during 1999, 1998 and 1997, respectively, to the Plan.

Note 27 - Other Expenses

A detail of other expenses follows:

	Year ended December 31, 1999	1998	1997
Professional and service fees	$6,672,254	$ 5,819,978	$ 4,883,088
Advertising and business promotion	5,896,265	5,922,039	4,993,392
Communications	4,666,698	4,330,023	4,363,802
Revenue earning equipment	1,478,492	1,225,689	1,183,557
Supplies and printing	1,361,374	1,314,131	1,128,672
Other	5,426,220	4,534,188	4,628,151
Total	$25,501,303	$23,146,048	$21,180,662

Note 28 - Income Taxes

The Corporation is subject to Puerto Rico income tax on its income from all sources. For United States income tax purposes, the Corporation is treated as a foreign corporation. Accordingly, it is generally subject to United States income tax only on its income from sources within the United States or income effectively connected with the conduct of a trade or business within the United States. Any United States income tax paid by the Corporation is creditable, within certain conditions and limitations, as a foreign tax credit against its Puerto Rico tax liability.

The provision for income taxes was as follows (in thousands):

	Year ended December 31, 1999	1998	1997
Current	$13,991	$17,845	$16,364
Deferred	(6,703)	(13,047)	(8,239)
Total	$ 7,288	$ 4,798	$ 8,125

Income tax expense applicable to income before provision for income tax differs from the amount computed by applying the Puerto Rico statutory rate of 39% as follows (dollars in thousands):

	Year ended December 31,					
	1999		1998		1997	
	Amount	% of pre-tax income	Amount	% of pre-tax income	Amount	% of pre-tax income
Computed income tax at statutory rate	$27,052	39	$22,078	39	$21,705	39
Benefit of net exempt income	(13,959)	(20)	(22,078)	(39)	(13,137)	(24)
Other-net	(5,805)	(8)	4,798	8	(443)	
Total income tax provision	$ 7,288	11	$ 4,798	8	$ 8,125	15

Accounting for income taxes

Deferred taxes arise because certain transactions affect the determination of taxable income for financial reporting purposes in periods different from the period in which the transactions affect taxable income for tax return purposes. Deferred taxes have been recorded based upon the Puerto Rico enacted tax rate of 39%. Current tax expense has been provided based upon the estimated tax liability to be incurred for tax return purposes.

The components of the deferred tax asset and liability were as follows (in thousands):

	December 31, 1999	December 31, 1998
Deferred tax asset:		
Adjustment to charge-off method	$27,995	$25,460
Unrealized loss on available for sale securities	22,883	
Other	4,114	1,232
Deferred tax asset	$54,992	$26,692
Deferred tax liability:		
Unrealized gain on available for sale securities		$(2,917)
Other	$ (347)	(1,633)
Deferred tax liability	$ (347)	$(4,550)

Due to the above temporary differences, a net deferred tax asset resulted amounting to $54.6 million at December 31, 1999 (1998 - $22.1 million). The primary timing difference was the effect of future deductions under the charge-offs method for deducting bad debt losses. No valuation allowance was considered necessary.

The tax effect of the unrealized holding gain or loss for securities available for sale is included as a part of stockholders' equity in other comprehensive income.

Note 29 - Commitments

At December 31, 1999 certain premises are leased with terms expiring through the year 2011. The Corporation has the option to renew or extend certain leases from two to ten years beyond the original term. Some of these leases require the payment of insurance, increases in property taxes and other incidental costs. At December 31, 1999, the obligation under various leases was follows:

Year	Amount
2000	$3,012,850
2001	2,403,792
2002	1,964,048
2003	1,176,557
2004 and later years	4,631,265
Total	$13,188,512

Rental expense included in occupancy and equipment expense was $3,390,786 in 1999 (1998 - $3,158,156; 1997 - $2,933,798).

Note 30 - Fair Value of Financial Instruments

The information about the estimated fair values of financial instruments as required by generally accepted accounting principles, is presented hereunder including some items not recognized in the statement of financial condition. The disclosure requirements exclude certain financial instruments and all non financial instruments. Accordingly, the aggregate fair value amounts presented do not represent Management's estimation of the underlying value of the Corporation. A summary table of estimated fair values and carrying values of financial instruments at December 31, 1999 and 1998 follows (in thousands):

	December 31,			
	1999		1998	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
Assets:				
Money market instruments	$ 35,217	$ 35,217	$ 526	$ 526
Investment securities	1,740,905	1,758,120	1,790,463	1,789,692
FHLB stock	17,827	17,827	10,271	10,271
Loans receivable - net	2,753,597	2,673,584	2,146,003	2,052,200
Liabilities:				
Deposits	2,554,429	2,565,422	1,776,811	1,775,045
Federal funds, securities sold under agreements to repurchase and other short-term borrowings	1,604,635	1,604,635	1,710,293	1,710,293
Advances from FHLB	50,000	50,000	2,600	2,600
Debt security borrowings	145,994	149,094	231,923	217,596

The estimated fair values were based on judgments regarding current and future economic conditions. The estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in the underlying assumptions used in calculating the fair values could significantly affect the results. In addition, the fair value estimates are based on outstanding balances without attempting to estimate the value of anticipated future business. Therefore, the estimated fair values may materially differ from the values that could actually be realized on a sale.

The estimated fair values were calculated using certain facts and assumptions which vary depending on the specific financial instrument, as follows:

Money market instruments

The carrying amounts of money market instruments are reasonable estimates of their fair values.

Investment securities

The fair values of investment securities are the market values based on quoted market prices and dealer quotes.

FHLB stock

Investments in FHLB stock are valued at their redemption values.

Loans receivable - net

The fair value of all loans was estimated by discounting loans with similar financial characteristics. Loans were classified by type such as commercial, residential mortgage, credit card and automobile. These asset categories were further segmented into fixed and adjustable rate categories and by accruing and non-accruing groups. Performing floating rate loans were valued at book if they reprice at least once every three months. The fair value of fixed rate performing loans was calculated by discounting expected cash flows through the estimated maturity date. Recent prepayment experience was assumed to continue for mortgage loans, credit cards, auto loans and personal loans. Other loans assumed little or no prepayment. Prepayment estimates were based on the Corporation's historical data for similar loans. Discount rates were based on the Treasury Yield Curve at the date of the analysis, with an offset which reflects the risk and other costs inherent in the loan category. In certain cases, where recent experience was available regarding the sale of loans, this information was also incorporated into the fair value estimates.

Non-accruing loans covered by a specific loan loss reserve were viewed as immediate losses and were valued at zero. Other non-accruing loans were arbitrarily assumed to be repaid after one year. Presumably this would occur either because loan is repaid, collateral has been sold to satisfy the loan or because general reserves are applied to it. The value of non-accruing loans not covered by specific reserves was discounted for one year at the going rate for new loans.

Deposits

The estimated fair values of demand deposits and savings accounts, which are the deposits with no defined maturities, are the amount payable on demand at the reporting date. For deposits with stated maturities, but that reprice at least quarterly, the fair values are estimated to be the amount payable at the reporting date.

The fair values of fixed rate deposits with stated maturities, are based on the discounted value of the future cash flows expected to be paid on deposits. The cash flows are based on contractual maturities; no early repayments are assumed. Discount rates are based on the broker certificate of deposit yield curve. The estimated fair values of total deposits exclude the fair value of core deposits intangible, which represent the value of the customer relationship measured by the values of demand deposits and savings deposits that bear a low or zero rate of interest and do not fluctuate in response to changes in interest rates.

Federal funds, securities sold under agreements to repurchase and other short-term borrowings

Federal funds purchased, repurchase agreements and other short-term borrowings are commitments to borrow funds which reprice at least quarterly. Therefore, their outstanding balances are estimated to be their fair values.

Advances from FHLB

The fair value of advances was determined using book value due to its short time to maturity.

Debt security borrowings

The fair value of debt security borrowings with fixed maturities was determined using discounted cash flow analysis over the full term of the borrowings. The cash flows assumed no early repayment of the borrowings. Discount rates were based on the broker CD yield curve. Variable rate debt securities reprice at intervals of three months or less, therefore, their outstanding balances are estimated to be their fair values.

Note 31 - Supplemental Cash Flow Information

Supplemental cash flow information follows (in thousands):

	Year ended December 31, 1999	1998	1997
Cash paid for:			
Interest	$173,273	$153,645	$132,801
Income tax	6,271	1,494	1,089
Non cash investing and financing activities:			
Mortgage loans exchanged for mortgage backed securities			4,046
Additions to other real estate owned	639	2,975	541

Note 32 - Financial Instruments With Off-Balance Sheet Risk, Commitments to Extend Credit and Standby Letters of Credit

The following table presents a detail of commitments to extend credit and standby letters of credit (in thousands):

	December 31, 1999	1998
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit:		
To originate loans	$465,902	$245,257
Unused credit card lines	253,463	132,867
Unused personal lines of credit	10,362	10,536
Commercial lines of credit	244,135	96,874
Commercial letters of credit	12,345	19,101
Standby letters of credit	13,754	1,575

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument on commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. Management uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. These commitments generally expire within one year. Since certain commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. In the case of credit cards and personal lines of credit, the Corporation can at any time and without cause, cancel the unused credit facility. The amount of collateral, obtained if deemed necessary by the Corporation upon extension of credit, is based on Management's credit evaluation of the borrower. Rates charged on the loans that are finally disbursed is the rate being offered at the time the loans are closed, therefore, no fee is charged on these commitments. The fee is the amount which is used as the estimate of the fair value of commitments.

In general, commercial and standby letters of credit are issued to facilitate foreign and domestic trade transactions. Normally, commercial and standby letters of credit are short-term commitments used to finance commercial contracts for the shipment of goods. The collateral for these letters of credit include cash or available commercial lines of credit. The fair value of commercial and standby letters of credit is based on the fees currently charged for such agreements, which at December 31, 1999 is not significant.

Interest rate risk management

The operations of the Corporation are subject to interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in different amounts. As part of the interest rate risk management, the Corporation has entered into a series of interest rate swap agreements. Under the interest rate swaps, the Corporation agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. Net interest settlements on interest rate swaps are recorded as an adjustment to interest expense on deposit accounts.

The following table indicates the types of swaps used (in thousands):

	Notional amount
Pay-fixed swaps:	
Balance at December 31, 1997, 1998 and 1999	$ 50,000
	=========
Receive-fixed swaps:	
Balance at December 31, 1997	$80,000
Expired contracts	40,000

Balance at December 31, 1998	40,000
Expired contracts	40,000
New contracts	185,000

Balance at December 31, 1999	$185,000
	========

Pay-fixed swaps at December 31, 1999, have a fixed weighted average rate payment of 6.48% (1998 - 5.41%) and a floating weighted average rate receiving of 6.07% (1998 - 6.48%). Receive-fixed swaps at December 31, 1999, have a floating weighted average rate payment of 6.09% (1998 - 5.13%) and a fixed weighted average rate receiving of 7.05% (1998 - 7.15%). Floating rates are based on an 85% to 100% of the average of the last three months LIBOR rate.

For swap transactions, the amounts potentially subject to credit loss are the net streams of payments under the agreements and not the notional principal amounts used to express the volume of the swaps. At December 31, 1999 the Corporation had total net receivable of $1,286,445 (1998 - $876,949) related to the swap transactions. The Corporation controls the credit risk of its interest rate swap agreements through approvals, limits, and monitoring procedures. The Corporation does not anticipate non-performance by the counterparties. As part of the swap transactions, the Corporation is required to pledge collateral in the form of deposits in banks or securities. The book value and aggregate market value of securities pledged as collateral for interest rate swaps at December 31, 1999 was approximately $6.6 million and $6.7 million, respectively (1998 - $1.8 million and $1.9 million, respectively). The period to maturity of the swaps at December 31, 1999 ranged from five months through fifteen years (1998 - from one year and four months through eight years and two months).

At December 31, 1999, the estimated fair value to liquidate the Corporation's interest rate swaps was approximately $192,000 (1998 - $2,760,000).

Options

From time to time the Corporation may enter into put and call options with the intention of enhancing the yield of its investment portfolio. The aggregate amount permitted to be outstanding under this program is limited by resolution of the Board of Directors. During 1999 and 1998 there was no activity under the program.

Interest Rate Protection Agreements (Caps)

The Corporation also issues interest rate protection agreements (Caps) to limit its exposure to rising interest rates on its deposits. Under these agreements, the Corporation pays an up front premium or fee for the right to receive cash flow payments in excess of the predetermined cap rate; thus, effectively capping its interest rate cost for the duration of the agreement. The premium is amortized as an adjustment to interest expense on deposits. The following table indicates the agreements outstanding at December 31, 1999 (dollars in thousands):

Cap agreements notional amount	Cap Rate	Current 90 day LIBOR	Maturity
$50,000	6.00%	6.00%	March 27, 2000
200,000	6.50%	6.00%	June 4, 2000
200,000	6.50%	6.00%	October 2, 2000

Note 33 - Segment Information

In 1998, the Corporation implemented SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information". The Corporation has three reportable segments: Retail business, Treasury and Investments, and Commercial Corporate business. Management determined the reportable segments based on the internal reporting used to evaluate performance and to assess where to allocate resources. Other factors such as the Corporation's organizational chart, nature of the products, distribution channels and the economic characteristics of the products were also considered in the determination of the reportable segments.

The Retail business segment is composed of the Corporation's branches and loan centers together with the retail products of deposits and consumer loans. Certain small commercial loans originated by the branches are included in the Retail business. Consumer loans include loans such as personal, residential real estate, auto, credit card and small loans. Finance leases are also included in Retail business. The Commercial Corporate segment is composed of commercial loans and corporate services such as letters of credit and cash management. The Treasury and Investment segment is responsible for the Corporation investment portfolio and treasury functions.

The accounting policies of the segments are the same as those described in Note 2 - "Summary of Significant Accounting Policies."

The Corporation evaluates the performance of the segments based on net interest income after the estimated provision for loan losses. The segments are also evaluated based on the average volume of its earning assets less the allowance for loan losses.

The only intersegment transaction is the net transfer of funds between the segments and the Treasury and Investment segment. The Treasury and Investment segment sells funds to the Retail and Commercial Corporate segments to finance their lending activities and purchases funds gathered by those segments. The interest rates charge or credit by Investment and Treasury is based on market rates.

The following table presents information about the reportable segments (in thousands):

	Retail	Treasury and Investments	Commercial Corporate	Total
For the year ended December 31, 1999:				
Interest income	$186,224	$108,332	$74,508	$369,064
Net (charge) credit for transfer of funds	(4,018)	48,737	(44,719)	
Interest expense	(58,665)	(124,665)		(183,330)
Net interest income	123,541	32,404	29,789	185,734
Provision for loan losses	(46,802)		(1,159)	(47,961)
Segment income	76,739	32,404	28,630	137,773
Average earning assets	1,462,311	1,726,719	815,569	4,004,599
For the year ended December 31, 1998:				
Interest income	$ 178,251	$ 89,785	$ 52,499	$ 320,535
Net (charge) credit for transfer of funds	7,683	20,698	(28,381)	
Interest expense	(60,003)	(95,127)		(155,130)
Net interest income	125,931	15,356	24,118	165,405
Provision for loan losses	(74,837)		(1,163)	(76,000)
Segment income	51,094	15,356	22,955	89,405
Average earning assets	1,364,803	1,418,791	561,612	3,345,206
For the year ended December 31, 1997:				
Interest income	$ 184,761	$ 59,263	$ 40,246	$ 284,270
Net (charge) credit for transfer of funds	(4,396)	27,534	(23,138)	
Interest expense	(58,553)	(71,876)		(130,429)
Net interest income	121,812	14,921	17,108	153,841
Provision for loan losses	(52,343)		(3,332)	(55,675)
Segment income	69,469	14,921	13,776	98,166
Average earning assets	1,443,982	909,457	415,427	2,768,866

The following table presents a reconciliation of the reportable segment financial information to the consolidated totals (in thousands):

	Year ended December 31, 1999	1998	1997
Interest income			
Total interest income for segments	$369,064	$320,535	$284,270
Interest income credited to expense accounts		763	890
Total consolidated interest income	$369,064	$321,298	$285,160
Net income:			
Total income for segments	$137,773	$89,405	$98,166
Other income	32,862	58,240	39,866
Operating expenses	(101,272)	(91,035)	(82,379)
Income taxes	(7,288)	(4,798)	(8,125)
Total consolidated net income	$ 62,075	$51,812	$47,528
Average assets:			
Total average earning assets for segments	$4,004,599	$3,345,206	$2,768,866
Average non earning assets	168,182	148,331	143,643
Total consolidated average assets	$4,172,781	$3,493,537	$2,912,509

Note 34 - Litigation

The Corporation is a defendant in a number of legal proceedings arising in the normal course of business. Management believes, based on the opinion of legal counsel, that the final disposition of these matters will not have a material adverse effect on the Corporation's financial position or results of operations.

Note 35 - Selected Quarterly Financial Data (Unaudited)

Financial data showing results of the 1999 and 1998 quarters is presented below. These results are unaudited. In the opinion of Management, all adjustments necessary for a fair presentation have been included:

	1999			
	March 31	June 30	Sept. 30	Dec. 31
Interest income	$87,142,829	$87,255,568	$94,475,146	$100,189,561
Net interest income	44,597,465	46,340,663	46,789,092	48,006,136
Provision for loan losses	13,800,000	12,949,500	11,016,500	10,194,500
Net income	14,141,215	15,393,514	16,208,146	16,332,074
Earnings per common share-basic	$0.48	$0.49	$0.50	$0.52
Earnings per common share-diluted	$0.48	$0.49	$0.50	$0.51

	1998			
	March 31	June 30	Sept. 30	Dec. 31
Interest income	$77,397,641	$77,731,354	$79,846,911	$86,322,498
Net interest income	40,607,988	41,193,889	39,812,331	44,554,228
Provision for loan losses	21,738,000	13,929,000	21,420,000	18,913,000
Net income	12,360,681	12,700,723	13,064,618	13,686,365
Earnings per common share-basic	$0.42	$0.43	$0.44	$0.46
Earnings per common share-diluted	$0.42	$0.43	$0.43	$0.46

Note 36 - First BanCorp (Holding Company Only) Financial Information

The following condensed financial information presents the financial position of the Holding Company only at December 31, 1999 and 1998 and the results of its operations and its cash flows for the period ended on December 31, 1999 and from October 1st, 1998 through December 31, 1998.

Statements of Financial Condition

	December 31, 1999	December 31, 1998
Assets:		
Cash and due from depository institutions	$ 13,159,737	$ 5,702,362
Money market instruments	1,777,750	
Investment securities available for sale, at market value:		
United States Government obligations	24,890,139	
Other investments	21,291,774	
Total investment securities available for sale	46,181,913	
Investment in FirstBank Puerto Rico, at equity	235,637,500	264,447,053
Other assets	348,337	218,653
Total assets	$297,105,237	$270,368,068
Liabilities & Stockholders' Equity:		
Other borrowings	$ 865,360	
Accounts payable and other liabilities	1,337,628	
Total liabilities	2,202,988	
Stockholders' equity	294,902,249	$270,368,068
Contingencies and commitments		
Total liabilities and stockholders' equity	$297,105,237	$270,368,068

Statements of Income

	Year ended December 31, 1999	Period from October 1, 1998 through December 31, 1998
Income:		
Interest income on investment securities	$ 1,536,930	
Interest income on other investments	1,140,656	
Dividend from subsidiary	10,000,000	$10,359,843
Other income	61,161	
	12,738,747	10,359,843
Expenses:		
Other operating expenses	242,178	15,110
Income before income taxes and equity in undistributed earnings of subsidiary	12,496,569	10,344,733
Income taxes	374,245	
Equity in undistributed earnings of subsidiary	49,952,625	3,341,632
Net income	62,074,949	13,686,365
Other comprehensive (loss) income, net of tax	(77,398,890)	8,749,931
Comprehensive (loss) income	$(15,323,941)	$22,436,296

The principal source of income for the Holding Company consists of earnings from FirstBank.

Statement of Cash Flows

	Year ended December 31, 1999	Period from October 1, 1998 through December 31, 1998
Cash flows from operating activities:		
Net income	$62,074,949	$13,686,365
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of subsidiary	(49,952,625)	(3,341,632)
Net increase in other assets	(129,686)	(218,654)
Net increase in other liabilities	883,201	
Total adjustments	(49,199,110)	(3,560,286)
Net cash provided by operating activities	12,875,839	10,126,079
Cash flows from investing activities:		
Purchases of securities available for sale	(44,364,194)	
Net cash used by investing activities	(44,364,194)	
Cash flows from financing activities:		
Proceeds from other borrowings	865,360	
Proceeds from issuance on preferred stock	86,850,217	
Exercise of stock options	176,313	
Cash dividends paid	(14,657,799)	(2,212,467)
Treasury stock acquired	(32,510,611)	(2,211,250)
Net cash provided by financing activities	40,723,480	(4,423,717)
Net increase in cash	9,235,125	5,702,362
Cash and cash equivalents the beginning of period	5,702,362	
Cash and cash equivalents at the end of period	$14,937,487	$5,702,362
Cash and cash equivalents include:		
Cash and due from banks	$13,159,737	$5,702,362
Money market instruments	1,777,750	
	$14,937,487	$5,702,362

Stockholders' Information

Independent Certified Public Accountants PricewaterhouseCoopers LLP

Annual Meeting:
The annual meeting of stockholders will be held on April 27, 2000, at 2:00 p.m., at the main office of the Corporation located at 1519 Ponce de Leon Avenue, Santurce, Puerto Rico.

Telephone (787) 729-8200
Internet http://www.1bankpr.com

Additional Information and Form 10-K:
Additional financial information about First BanCorp may be requested to Mrs. Laura Villarino, Senior Vice President and Controller, PO Box 9146, Santurce, Puerto Rico 00908. Copies of First BanCorp's Form 10K filed with the SEC, will be provided to stockholders upon written request to Mrs. Laura Villarino at the same mailing address.

Transfer Agent and Registrar:
The Bank of New York, 101 Barclay Street 12W, New York, NY 10286

General Counsels:
Fiddler, Gonzalez & Rodriguez, LLP
Latimer, Biaggi, Rachid & Godreau
Melendez Perez, Moran & Santiago

ARTICLE 9

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1999
PERIOD END	DEC 31 1999
CASH	58,267,929
INT BEARING DEPOSITS	35,217,064
FED FUNDS SOLD	0
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	1,454,074,171
INVESTMENTS CARRYING	304,046,039
INVESTMENTS MARKET	286,830,718
LOANS	2,745,368,097
ALLOWANCE	(71,784,237)
TOTAL ASSETS	4,721,568,165
DEPOSITS	2,565,421,636
SHORT TERM	1,654,635,306
LIABILITIES OTHER	57,514,894
LONG TERM	149,094,080
PREFERRED MANDATORY	0
PREFERRED	90,000,000
COMMON	28,060,552
OTHER SE	176,841,697
TOTAL LIABILITIES AND EQUITY	4,721,568,165
INTEREST LOAN	260,741,177
INTEREST INVEST	107,221,104
INTEREST OTHER	1,100,823
INTEREST TOTAL	369,063,104
INTEREST DEPOSIT	90,489,121
INTEREST EXPENSE	183,329,748
INTEREST INCOME NET	185,733,356
LOAN LOSSES	47,960,500
SECURITIES GAINS	1,376,672
EXPENSE OTHER	101,271,895
INCOME PRETAX	69,363,394
INCOME PRE EXTRAORDINARY	69,363,394
EXTRAORDINARY	0
CHANGES	0
NET INCOME	62,074,949
EPS BASIC	2.00
EPS DILUTED	1.98
YIELD ACTUAL	4.85
LOANS NON	53,816,000
LOANS PAST	13,781,000
LOANS TROUBLED	0
LOANS PROBLEM	0
ALLOWANCE OPEN	67,854,066
CHARGE OFFS	53,664,742
RECOVERIES	9,634,413
ALLOWANCE CLOSE	71,784,237
ALLOWANCE DOMESTIC	71,784,237
ALLOWANCE FOREIGN	0
ALLOWANCE UNALLOCATED	0

End of Filing