FIRST BANCORP /PR/

FORM 10-K
(Annual Report)

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Address	1519 PONCE DE LEON AVE SANTUREE
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Industry	Regional Banks
Sector	Financial
Fiscal Year	12/31

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, 2000	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)	New York Stock Exchange
Title of Class	Name of exchange on which registered
Preferred Stock ($25.00 liquidation preference per share	New York Stock Exchange
Title of Class	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: $487,304,294 (based on the closing sales price of $23.10 at March 27, 2001 for such shares). Number of shares of Common Stock outstanding as of March 27, 2001:

26,636,752

Documents Incorporated by Reference

(1) Portions of the annual report to security holders for the fiscal year ended December 31, 2000 are incorporated by reference in Part I, II and IV; and
(2) Portions of the definite proxy statement filed on/or about March 28, 2001 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 financial holding company for FirstBank Puerto Rico (FirstBank or the Bank). First BanCorp is subject to the Federal Bank Holding Company Act and to the regulations, supervision, and examination of the Federal Reserve Board.

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 $5.920 billion, total deposits of $3.346 billion and total stockholders' equity of $434.5 million at December 31, 2000.

The Corporation's only subsidiary, FirstBank, conducts its business through its main office located in San Juan, Puerto Rico, 44 full-service branches in Puerto Rico and four 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, a loan origination office focusing on personal loans and credit cards, and a loan origination office 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 26 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. Early in the year 2001 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 2000" on pages 12 to 14 and the information under Note 33 - Segment Information on pages 72 to 74 of the Corporation's annual report to security holders for the year ended December 31, 2000 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 Company Act, 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.

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, revised and expanded 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. During 2000, the Corporation elected to be treated as a financial holding company. 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 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 provides that financial subsidiaries of banks are treated as affiliates for purposes of sections 23A and 23B of the Federal Reserve Act, but 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, 2000, 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, 2000, 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 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 Economic Development Bank, the President of the Government Development Bank, and the President of the Planning Board, 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. 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, 2000, Puerto Rico had 17 banking institutions with a total of approximately $55 billion in assets according to industry statistics published by the Commissioner. The Corporation ranked third based on total assets at December 31, 2000. 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, 2000 amounted to $5,920 million, $1,198 million over the $4,722 million at December 31, 1999.

The following table sets forth the maturity distribution of earning assets at December 31, 2000:

	As of December 31, 2000 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	$ 2,020					$ 2,020
Investment securities	681,100	$ 483,947	$ 30,127	$1,029,056	$ 6,965	2,231,195
Loans:						
Residential mortgage	124,490	256,341	86,388	225,587	53,986	746,792
Construction	131,517		71,349		1,089	203,955
Commercial and commercial real estate	189,951	37,037	294,886	191,511	672,645	1,386,030
Lease financing	52,240	70,643				122,883
Consumer	510,730	512,666	______	15,142	______	1,038,538
Total Loans	1,008,928	876,687	452,623	432,240	727,720	3,498,198
Total	$1,692,048	$1,360,634	$482,750	$1,461,296	$734,685	$5,731,413

LENDING ACTIVITIES

At December 31, 2000 First BanCorp.'s lending activities include total commercial loans of $1,590 million (45% of total loans), total consumer loans of $1,039 million (30% of total loans), and total residential mortgage loans of $747 million (21% 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 $438 million in commercial real estate loans and $204 million in construction loans. The consumer loan portfolio consists principally of auto loans, personal loans and credit cards. The Portfolio of Finance leases of $123 million, is 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.

	2000	1999	1998	1997	1996
			(In thousands)		
Residential real estate loans:					
Secured by first mortgages:					
Conventional	$695,344	$395,885	$237,561	$223,098	$224,253
Insured by government agencies:					
Federal Housing Administration and Veterans Administration	20,004	6,543	8,185	10,176	9,282
Puerto Rico Housing Corporation and Finance Agency	28,037	32,928	38,516	44,073	50,016
Secured by second mortgages	8,964	5,706	4,956	14,171	14,375
	752,349	441,062	289,218	291,518	297,926
Deferred net loan fees	(5,557)	(5,293)	(6,848)	(9,138)	(8,531)
Residential real estate loans	746,792	435,769	282,370	282,380	289,395
Commercial loans:					
Construction, land acquisition and land improvements	484,986	288,302	161,498	15,400	12,407
Undisbursed portion of loans in process	(281,031)	(156,234)	(98,535)	(6,121)	(2,198)
Construction loans	203,955	132,068	62,963	9,279	10,209
Commercial loans	947,709	655,417	368,549	235,571	174,770
Commercial mortgage	438,321	371,643	332,219	306,734	256,227
Commercial loans	1,589,985	1,159,128	763,731	551,584	441,206
Finance leases	122,883	85,692	52,214	42,500	58,481
Consumer and other loans:					
Personal	401,548	435,752	472,588	676,965	749,732
Auto	530,534	532,242	512,116	512,938	510,083
Boat	33,954	37,018	32,209	29,145	29,458
Credit card	174,797	168,045	125,956	116,734	109,259
Home equity reserve	2,134	2,657	3,385	4,282	5,828
Other		106	128	148	651
Unearned finance interest	(104,429)	(148,836)	(145,284)	(267,599)	(305,870)
Consumer and other loans	1,038,538	1,026,985	1,001,098	1,072,613	1,099,141
Loans receivable	3,498,198	2,707,574	2,099,413	1,949,077	1,888,223
Loans available for sale	________	37,794	20,642	10,225	7,851
Total loans	3,498,198	2,745,368	2,120,054	1,959,302	1,896,074
Allowance for loan losses	(76,919)	(71,784)	(67,854)	(57,712)	(55,254)
Total loans-net	$3,421,279	$2,673,584	$2,052,200	$1,901,590	$1,840,821

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, 2000.

	December 31, 2000	
	(In thousands)	Weighted average rate
Residential real estate loans	$ 746,792	8.69%
Construction loans	203,955	10.32%
Commercial and commercial real estate loans	1,386,030	9.33%
Finance leases	122,883	11.79%
Consumer and other loans		
Auto	467,367	10.60%
Personal	362,243	16.84%
Credit card	174,797	15.46%
Boat	31,997	10.29%
Home equity reserve loans	2,134	12.88%
Total consumer and other loans	1,038,538	13.59%
Total	$ 3,498,198	10.61%

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,				
	2000	1999	1998	1997	1996
	(Dollars in thousands)				
Beginning balance	$2,673,584	$2,052,200	$1,901,590	$1,840,821	$1,501,597
Residential real estate loans originated and purchased	416,077	216,713	93,552	133,047	98,379
Commercial loans originated(1)	555,530	623,590	307,009	124,121	79,308
Finance leases originated	65,646	51,618	34,427	684	47,975
Consumer loans originated	423,411	515,348	371,333	569,620	823,884
Total loans originated	1,460,664	1,407,269	806,321	827,472	1,049,546
Sales and securitizations of loans		(1,267)		(5,296)	(6,128)
Repayments and prepayments	(646,581)	(719,964)	(559,727)	(661,129)	(648,322)
Other decreases(2)	(66,388)	(64,654)	(95,984)	(100,278)	(55,872)
Net increase	747,695	621,384	150,610	60,769	339,224
Ending balance	$3,421,279	$2,673,584	$2,052,200	$1,901,590	$1,840,821
Percentage increase	27.97%	30.28%	7.92%	3.30%	22.59%

(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 for the holding company is set by the Corporation's Investment Committee, which includes the President and Chief Executive Officer, the Senior Executive Vice President and Chief Financial Officer, the Executive Vice President for First Securities, the Executive Vice President for Sales and Distribution and Mortgage Banking, the Senior Vice President for Treasury and Investments, and the Economist. Significant investment transactions are reported to the Investment Committee.

Investment policy for FirstBank, the principal subsidiary of First BanCorp, is set by the Bank's Asset Liability Management and Investment Committee (ALCO), which has the same members of the Corporation Investment Committee. The ALCO sets investment policies, monitors liquidity trends, and conducts quarterly reviews of the Bank's interest rate risk exposure. Significant investment transactions are reported to the ALCO.

The Corporation's investment policies are 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, corporate debt and 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 Investment Committee.

SOURCES OF FUNDS

First BanCorp.'s principal funding sources are branch-based deposits, retail brokered deposits, institutional 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, 2000	December 31, 2000	1999	1998
		(Dollars in thousands)		
Non-interest bearing checking accounts		$ 232,164	$ 211,896	$ 173,104
Saving accounts	2.95%	430,298	447,946	416,424
Interest bearing checking accounts	3.50%	170,631	162,601	130,883
Certificate accounts	6.49%	2,512,891	1,742,978	1,054,634
Total		$3,345,984	$2,565,422	$1,775,045
Weighted average rate on interest bearing deposits	5.83%			
Total deposits as a percentage of total assets		56.52%	54.33%	44.18%

Certificate accounts include institutional deposits which consist mainly of brokered certificate of deposits, and certificates issued to agencies of the Government of Puerto Rico. Under FDIC 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, 2000.

	(In thousands)
Three months or less	$ 346,526
Over three months to six months	217,094
Over six months to one year	158,131
Over one year	1,273,980
Total	$1,995,731

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, 2000	December 31, 2000	1999	1998
		(Dollars in thousands)		
Borrowings:				
Federal funds purchased and securities sold under agreements to repurchase	6.32%	$1,851,286	$1,447,732	$1,620,630
FHLB advances	6.30%	67,000	50,000	2,600
Notes payable	6.08%	55,500	55,500	118,100
Other short-term borrowings			152,484	86,595
Subordinated notes	8.14%	90,548	93,594	99,496
Total	6.39%	$2,064,334	$1,799,310	$1,927,421
Total borrowed funds as a percentage of total assets		34.87%	38.11%	47.98%
Weighted average interest rate during the period:				
Securities sold under agreements to repurchase		6.23%	5.07%	5.07%
Other short-term borrowings			6.29%	6.39%

CAPITAL

At December 31, 2000, total stockholders' equity for the Corporation amounted to $434 million, an increase of $139 million as compared to $295 million at December 31, 1999.

Employees

At December 31, 2000 the Corporation employed 1,666 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, 2000 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, 2000, the Corporation leased in Puerto Rico 31 branch premises, 28 loan and office centers and seven other facilities. The Corporation leased four 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 74 of the annual report to security holders for the year ended December 31, 2000 (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 2000.

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 39 of the annual report to security holders for the year ended December 31, 2000.

b) Holders

The information required herein is incorporated by reference from page 39 of the annual report to security holders for the year ended December 31, 2000.

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 $0.11 per share for each quarter of 2000, $0.09 per share for each quarter of 1999 and $0.075 per share for each quarter of 1998.

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 22 through 23 of the annual report to security holders for the year ended December 31, 2000.

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

The information required herein is incorporated by reference from page 24 through 39 of the annual report to security holders for the year ended December 31, 2000.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required herein is incorporated by reference from page 40 of the annual report to security holders for the year ended December 31, 2000.

Item 8. Financial Statements and Supplementary Data

The information required herein is incorporated by reference from page 41 through 76 of the annual report to security holders for the year ended December 31, 2000.

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/or about March 28, 2001.

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/or about March 28, 2001.

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/or about March 28, 2001.

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/or about March 28, 2001.

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, 2000 and 1999.

- Consolidated Statements of Income for Each of the Three Years in the Period Ended December 31, 2000.

- Consolidated Statements of Changes in Stockholders' Equity for Each of the Three Years in the Period Ended December 31, 2000.

- Consolidated Statements of Comprehensive Income for each of the Three Years in the Period Ended December 31, 2000.

- Consolidated Statements of Cash Flows for Each of the Three Years in the Period Ended December 31, 2000.

- 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, 2000.

(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	
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, 2000.	(3)
13.0	Annual Report to shareholders for fiscal year ended December 31, 2000.	-
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 54 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	*Date: 03/27/01*
Angel Alvarez Perez, *Chairman* *President and Chief Executive Officer*	

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	*Date: 03/26/01*
Angel Alvarez-Perez, *Chairman* *President and Chief Executive Officer*	
/s/ Annie Astor-Carbonell	*Date: 03/26/01*
Annie Astor-Carbonell, Director *Senior Executive Vice President and* *Chief Financial Officer*	
/s/	*Date: 03/26/01*
Jose Julian Alvarez, Director	
/s/ Rafael Bouet	*Date: 03/26/01*
Rafael Bouet, Director	
/s/ Jorge L. Diaz Irizarry	*Date: 03/26/01*
Jorge L. Diaz Irizarry, Director	

/s/ Francisco D. Fernandez   Date: 03/26/01

Francisco D. Fernandez, Director

/s/   Date: 03/26/01

German Malaret, Director

/s/   Date: 03/26/01

Hector M. Nevares, Director

/s/ Antonio Pavia Villamil   Date: 03/26/01

Antonio Pavia Villamil, Director

/s/   Date: 03/26/01

Jose Teixidor, Director

/s/ Angel L. Umpierre   Date: 03/26/01

Angel L. Umpierre, Director

/s/ Laura Villarino Tur   Date: 03/26/01

Laura Villarino Tur,
Senior Vice President and
Controller

Annual Report

Balanced Diversification
for Successful Performance

[LOGO] First BanCorp

[PHOTO] Yagrumo Leaf

Table of Content

The Yagrumo leaf featured in the 2000 Annual Report, symbolizes our beleif in conservation of natural resources and our commitment to customers' banking needs. We have made a commitment to promote the enviromental quality of Puerto Rico by suporting the Puerto Rico Conservation Trust

The Yagrumo tree grows abundantly, as our commitment to serve customers. The flexibility of its wood is a symbol of our capability to adapt to changing needs. Its umbrella-like leaves represent our diversification of services. Its capacity to bloom and give fruit year round, is a symbol of innovation and constant evolution. The harmony of its leaves, shows our determination to offer the best quality, personal service.

At First BanCorp we beleive in keeping a perfect balance with our mission as a leading financial institution and the well-being of the community.

F i n a n c i a l H i g h l i g h t s

In Thousands (Except for per share results)	2000	1999
Operating Results:		
Net interest income	$190,773	$185,733
Provision for loan losses	45,718	47,960
Other income	50,032	32,862
Other operating expenses	113,050	101,272
Income tax provision	14,761	7,288
Net income	67,276	62,075
Per common share:		
Net income - basic	2.22	2.00
Net income - diluted	2.21	1.98
Weighted Average Common Shares:		
Basic	26,943	28,941
Diluted	27,145	29,199

[GRAPHS]

	2000	1999
At Year End:		
Assets	$5,919,657	$4,721,568
Loans	3,498,198	2,745,368
Allowance for loan losses	76,919	71,784
Investments	2,233,216	1,811,164
Deposits	3,345,984	2,565,422
Borrowings	2,069,484	1,803,729
Capital	434,461	294,902

[GRAPHS]

Offices (P.R. GEOGRAPHIC MAP)

Branches - 48 Offices

Aguada	1
San Sebastian	1
Arecibo	1
Manati	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	3
Saint Croix	1

Money Express - 26 Offices

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
Caguas	1
Guayama	1
Cayey	1
Ponce	1
Barranquitas	1
Utuado	1
Yauco	1
Mayaguez	1
Caguas	1

First Leasing & Rental Corp - 6 Offices

Isabela	1
Bayamon	1
San Juan	2
Caguas	1
Guaynabo	1

Auto Loan Center - 1 Office
Mayaguez 1

Loan Center - 1 Office
Fajardo 1

Mortgage Loan Center - 4 Offices

Manati	1
San Juan	2
Carolina	1

Total 86 Offices

Business Profile

[PHOTO]
Yagrumo Leaf

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, a Financial Holding Company which operates primarily in the Puerto Rico banking market, had total assets of $5.9 billion as of December 31, 2000. First BanCorp. The Corporation offers a wide selection of financial services to a growing number of consumer and commercial customers. Commercial loans, consumer loans, mortgage loans and investment operations are the most important areas of its business.

The Corporation has a $1.6 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 $747 million portfolio of residential mortgages. The institution also has $1.2 billion in consumer loans, concentrated in auto loans and leases, personal loans and credit cards. Its $2.2 billion investment portfolio consists mostly of U.S. government securities and mortgage backed securities. Through a strategic alliance with Paine Webber, First BanCorp offers brokerage services in its largest branches. Approximately 1,650 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 and Loan Association". It has been a stockholder owned institution since 1987. In October, 1994, it became a Puerto Rico chartered commercial bank and assumed the name of "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 four offices in the U.S. Virgin Islands. The Corporation also has one auto loan center, one personal loan center and four mortgage loan centers in Puerto Rico. A second tier subsidiary of First BanCorp, Money Express, operates 26 small loan offices through out 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.

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 covering the U.S. Virgin Islands, the U.S. mainland and the rest of the world. The Corporation was also the first in Puerto Rico to open on weekends and the first to offer in-store branches to its clients. First BanCorp was also the first banking institution in Puerto Rico with a presence on the internet. The Corporation offers a wide menu of internet banking services to its clients.

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

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

President's Letter

[PHOTO]
Angel Alvarez-Perez, President

To our stockholders:

On behalf of the Board of Directors and staff of First BanCorp I am pleased to submit our annual report for 2000, another record year. In 2000, First BanCorp earned $67.3 million, representing $2.22 per common share (basic) and $2.21 per common share (diluted). These earnings compare favorably with 1999, when the Corporation earned $62.1 million, which came to $2.00 per common share (basic) or $1.98 per common share (diluted). Net income increased 8.4% and diluted earnings per share rose 11.6% in 2000. These achievements continued our record of consistent earnings growth.

Growth and Diversification

Profits grew in spite of high interest rates during 2000. The growth of the loan portfolio, strict controls over operating costs, and increases in other income all helped to make this performance possible.

Our business grew substantially in 2000. Total assets increased 25% from $4.7 billion at the end of 1999 to $5.9 billion on December 31, 2000. Loans grew by $753 million. Much of this growth took place in commercial, construction and commercial mortgage lending, which expanded by $431 million. Residential mortgage loans also grew $27 million. This pattern of growth provides additional diversification in the loan portfolio, which used to be concentrated in consumer lending. Consumer loans and leases were 57% of the loan portfolio at the end of 1997, compared with 33% at December 31, 2000. We are maintaining high underwriting standards in all lending areas.

To support future growth, First BanCorp issued $75 million of additional preferred stock during 2000. This issuance brings total preferred stock to $165 million, allowing the Corporation to maintain strong capital ratios as it continues growing.

During the past year our efficiency ratio averaged 46.95%, almost the same as the very favorable 46.33% of 1999. Other income increased by $17.2 million, of which $6.5 million were gains on the sale of investments. The remaining $10.7 million represented additional services provided by the Corporation including investment banking services, services to commercial clients, and others. We expect fee income to grow as we increase the sophistication of the services offered while delivering them to a growing base of clients.

Improving Service to Corporate Clients

During 1999, we took several steps to expand commercial lending, including the recruitment of senior executives from major money center banks with local experience and established relationships. In mid-1999 the Corporation acquired the Puerto Rico operations of the Royal Bank of Canada. This transaction gave us a seasoned portfolio of commercial loans and an established branch in Hato Rey, the commercial and financial center of the Island.

In 2000 we built on these achievements, expanding the commercial portfolio and improving corporate services. The Corporation offers an extensive menu of services to corporate clients. We provide international letters of credit, a VISA corporate credit card offer, direct deposit of payroll, service point of sale transactions, and a selection of cash management accounts. Achieving this level of service has required continual investments in new and more sophisticated technology. We are committed to providing state of the art services to all of our corporate customers.

Remaking Retail Operations

We continue remaking the Corporation's retail operations. The Corporation relocated three branches during 2000, mainly to shopping malls. The strategy has been to make our facilities more accessible by adding parking space, drive through lanes and extending branch operating hours. In 2001 the Corporation will relocate one office while opening a new branch in Guaynabo, an upper middle class suburb of San Juan.

In 1999 the Corporation introduced two innovative deposit accounts which reward clients for transactions such as loans and ATM transactions. During 2000 the Corporation promoted this account, and these deposits reached $77.9 million by year end.

We are also inaugurating an internet banking system so that our clients can do their banking from home. Customers who want personal attention can take advantage of our extensive telephone services or visit one of our 48 branch offices.

During 2000 the Corporation began upgrading the software and communications tools which record routine transactions in our branches and link them to the central offices. Similar upgrades have also been done for our call centers. As part of this process we carried out a thorough analysis of branch work flow and procedures. When this process is completed at the end of 2001 we will have a state of the art communications and data processing system for our branches. These changes should significantly increase the efficiency of our tellers.

We have also made a commitment to promote the environmental quality of Puerto Rico by supporting the Puerto Rico Conservation Trust. As part of this program we launched a new savings account for children which includes membership in the Conservation Trust. We also added an affinity card which allows cardholders to contribute to the Conservation Trust by using their cards.

[PHOTO]
Yagrumo Leaf

The Corporation has placed commercial and mortgage loan desks in certain key branch offices. Many of our clients have also taken advantage of a business arrangement in which Paine Webber places brokers in certain branches. At the end of 2000 these brokerage accounts totaled $34 million. Paine Webber currently maintains offices in 12 FirstBank branches.

Laying the Groundwork for Diversification

In September First BanCorp purchased First Virgin Islands Savings and Loan Corp, a $56 million bank in St. Thomas. This acquisition builds on last year's purchase of a Citibank branch in the same area, giving the Bank four branches in the U.S. Virgin Islands.

In investment banking, First BanCorp reached an agreement last year with Goldman, Sachs & Co. to participate in issuance of bonds by the Government Development Bank of Puerto Rico. During 2000 the Corporation participated in six transactions totaling $3.8 billion, including the first issuance of municipal bonds through the internet.

During 2000 First BanCorp reorganized as a Financial Holding Company. This change will allow us to enter new lines of business. We expect to open an insurance agency in Puerto Rico during 2001. This change is part of our long term strategy to diversify sources of revenue.

Enhancing Shareholder Value

These efforts have paid off in strong earnings growth for 2000, with a return on equity of 21.22%, compared with 21.06% in 1999. The return on common equity was 27.83%, well above the 24.68% of 1999. The stock price has reflected these strong results, and our shareholders experienced a total return of 16.35% on their investment during 2000. Investors who held First BanCorp stock over the ten year period from year-end 1990 to year-end 2000 received a cumulative total return of 2,970%, for an average annual growth rate of 40.82% on their investment.

The Corporation began a stock repurchase program five years ago. During 2000 First BanCorp repurchased 1,642,400 shares, bringing total activity over the course of the program to 4,757,850 shares, adjusted for splits, for a total investment of $84.4 million. In addition, officers and directors of First BanCorp own approximately 21 percent of its shares. This shows our confidence in First BanCorp's future and our commitment to keep its fundamentals sound.

As First BanCorp begins another year of growth and service, we are confident that the 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
Angel Alvarez-Perez
Chairman
President
Chief Executive Officer

[PHOTO]
Yagrumo Leaf

Achievements in 2000

Record profits made 2000 a successful year for First BanCorp. Total assets grew 25% to $5.9 billion. In September the Corporation purchased First Virgin Islands Federal Savings Bank, a $56 million institution in St. Thomas, U.S. Virgin Islands. The Corporation acquired $44 million in loans, $38 million in deposits and one branch office from this transaction. First BanCorp also introduced internet banking to supplement its 48 branch offices.

Profits continued their growth as First BanCorp earned $67.3 million, which comes to $2.22 per common share (basic) or $2.21 per common share (diluted). In 1999 the Corporation earned $62.1 million, the equivalent of $2.00 (basic) or $1.98 (diluted) per common share. Net income increased by 8.4% in 2000, or 11.6% per share on a diluted basis. Net interest income grew by $5.0 million. Gains on sale of investments and trading added $8.3 million to net income in 2000.

First BanCorp's loans increased by $753 million for the year, of which $431 million were commercial and construction loans. The investment portfolio grew by $422 million. First BanCorp was able to maintain an efficiency ratio of only 46.95% during 2000, almost the same as the 46.33% in 1999.

During 2000 deposits grew from $2.565 billion to $3.346 billion, an increase of $781 million. Management worked intensively to improve the branch network and upgrade its data processing systems. Management has been placing commercial loan desks, mortgage officers and brokers in certain key branch offices. The Corporation also began offering internet services for those clients who like the convenience of banking from their homes.

Diversifying Income

Management has been taking steps to diversify the Corporation's revenues by moving toward fee based activities in some areas. In 2000 First BanCorp began offering brokerage services in selected branches through a new alliance with Paine Webber. This arrangement gives the Corporation's clients the broadest range of brokerage and financial management services available in Puerto Rico. By year-end accounts managed under this program had reached $34 million in 12 branches.

Early in 2000 Management entered an agreement with Goldman, Sachs & Co. to participate in bond issues by the Government Development Bank of Puerto Rico. During 2000 the Corporation participated in six transactions totaling $3.8 billion.

Finally, First BanCorp reorganized as a financial holding company in 2000, opening the way for the Corporation to enter new lines of business permitted by the Gramm Leach Bliley Act. Early in 2001 Management expects to open an insurance agency in Puerto Rico.

Improvements in the Balance Sheet

Contributing to higher profits in 2000 was a significant improvement in asset quality. Three years ago Management substantially improved its system of underwriting consumer loans, introduced tighter approval procedures and improved the Corporation's computer systems. The quality of the loan portfolio has improved substantially as a result. Loan write-offs net of recoveries amounted to $42.0 million in 2000, as compared to $44.6 million in 1999 and $66.2 million in 1998. The provision for loan losses has followed a similar trend, from $76.0 million in 1998 to $48.0 million in 1999 followed by $45.7 million in 2000. These reductions took place even as the overall loan portfolio was growing from $2.1 billion at the end of 1998 to $3.5 billion at the end of 2000.

On December 31, 2000 nonperforming loans totaled $67.7 million, compared to $53.8 million on the same date in 1999 and $57.0 million at the end of 1998. The increase in 2000 was basically due to one large commercial loan combined with nonperforming loans in the portfolio of First Virgin Islands Federal Savings, which First BanCorp acquired in September. At the end of 2000 the ratio of non-performing loans to total loans had fallen to 1.94%, compared with 1.96% at the end of 1999 and 2.69% at year-end 1998.

Loan loss reserves have increased from $67.9 million at the end of 1998 to $71.8 million at year-end 1999 and $76.9 million on December 31, 2000. The reserve coverage ratio (allowance for loan losses as a percentage of non-performing loans) has remained above 100%. It was 119.1% at the end of 1998, 133.4% at year-end 1999 and 113.6% at the end of 2000. Management is committed to continuing improvements in loan quality in coming years.

During the fourth quarter of 2000 Management also strengthened the capital structure of First BanCorp by issuing $75 million in preferred stock. This transaction brings total preferred stock to $165 million, helping the Corporation to maintain a solid and conservative capital structure.

Although assets grew substantially during 2000 the Corporation's capital ratios remained strong. The core capital ratio was 7.28% and the risk based capital ratio was 14.43% as of December 31, 2000.

Increasing Shareholder Value

The financial results reported here continue a trend of earnings growth that has produced excellent value for shareholders. First BanCorp's return on average equity was 21.22% in 2000, while the return on average assets was 1.28%. The return on common equity was 27.83%. Dividends were increased in 2000, but the payout ratio remained at a conservative 19.72% compared with 17.96% in 1999. During 2000 the Corporation repurchased 1,642,400 common shares.

First BanCorp shareholders experienced a total return of 16.35% on their investment during 2000. Investors who held First BanCorp stock over the ten year period from year-end 1990 to year-end 2000 received a cumulative total return of 2,970%. This is equivalent to an average annual growth rate of 40.82% 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 reputation with clients will all contribute to future earnings growth. Management will continue its efforts to improve First BanCorp's excellent performance in 2001 and in the years to come.

[PHOTO]
Yagrumo Leaf

The 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 3.1% in the 2000 fiscal year. Economists are forecasting a slowdown during 2001 in line with mainland growth trends. The Puerto Rico Planning Board projects real GNP growth in the range of 2.1% to 2.6% for this fiscal year.

Puerto Rico's economic performance is a natural result of its integration with the U.S. economy. Puerto Ricans are U.S. citizens and serve in the United States armed forces, and the Island has several large U.S. military bases. The Island uses U.S. currency and forms part of the U.S. financial system. Federal courts enforce U.S. laws here. 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 businesses.

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.

Board of Directors

[PHOTO}
From left to right: Angel Alvarez-Perez, Esq., Chairman and German E. Malaret, M.D.

[PHOTO]
From left to right: Annie Astor-Carbonell, C.P.A.,
Angel L. Umpierre, C.P.A. and Jose Teixidor

[PHOTO]
From left to right: Antonio Pavia Villamil, M.D. Francisco D. Fernandez, Eng. and Rafael Bouet, Eng.

[PHOTO]

From left to right: Jorge L. Diaz Irizarry, Hector M. Nevares, Esq.

and Jose Julian Alvarez

First BanCorp Officers

[PHOTO] From left to right: Josianne M. Rosello, Randolfo Rivera, Luis Cabrera, Miguel Mejias and Aida Garcia

PRESIDENT

Angel Alvarez-Perez
Chief Executive Officer

SENIOR EXECUTIVE VICE PRESIDENTS

Annie Astor-Carbonell
Chief Financial Officer

Luis M. Beauchamp
Chief Lending Officer

EXECUTIVE VICE PRESIDENTS

Aurelio Aleman
Retail Banking

Fernando L. Batlle
Branch Banking, Mortgages

Ricardo N.Ramos
First Securities

Randolfo Rivera
Corporate Services

SENIOR VICE PRESIDENTS

Miguel Babilonia
Credit Policy & Portfolio Management

Luis Cabrera
Treasury & Investments

Eva Candelario
Corporate Business Development

Jim Crites
Sales and Distribution
Virgin Islands

Aida M. Garcia
Human Resources

Michael Garcia
Consumer Collection

Fernando Iglesias
Special Loans & Credit Administration

Roger Lay
Internal Audit

Miguel Mejias
Information Systems

John Ortiz
Remote Banking

Haydee Rivera
Branch Banking Operations

Julio Rivera
Construction Lending

Carmen Rocafort
Structure Financing

Josianne M. Rosello
Marketing & Public Relations

Demetrio Santiago
Auto Wholesale Business

Hector Santiago
Auto Business

Denisse Segarra
Sales & Distribution

Laura Villarino
Controller

[PHOTO] From left to right: Ricardo N.Ramos, Annie Astor-Carbonell, Aurelio Aleman, Angel Alvarez-Perez, Laura Villarino, Luis M. Beauchamp and Fernando L. Batlle

VICE PRESIDENTS

William Alvarez
Area Business

Jose H. Aponte
Commercial Mortgage

Beverly Bachetti
Private Banking

Ana Colon
Centralized Accounting

Lenitzia Delgado
Corporate Services

David Gonzalez
Corporate Business Development

Wanda Cooper
Customer Care Center

Nelson Gonzalez
Structure Financing

Eric Lopez
Corporate Banking

Marcelo Lopez
Regional Sales Manager

Juanita Marrero
First Mortgage

Ivan Martinez
Project Manager

Jose Negron
Auto Asset & Disposition

Luis Orengo
Commercial Loans

Eduardo Ortiz
Auto Wholesale

Maria Cristina Oruna
Customer Relationship Management

Osvaldo Padilla
Corporate Business

Reynaldo Padilla
Auto Finance

Miguel Pimentel
Corporate Business Development

Dionisio Ramirez
Construction Loans

Jorge Rendon
Operational Support

Migdalia Rivera
Community Banking

Sandra Rivera
Auto Collection

Belinda Rodriguez
Remote Sales

Jose L. Rodriguez
Information Systems

Elizabeth Sanchez
Marine Financing

Roberto Sanchez
Credit Risk

Ramon Santiago
Asset Based Unit

Miguel Santin
Corporate Banking

Carmen Szendrey
Legal Counsel

Carmen Torres
Senior Sales Manager

Raphael Torres
Regional Sales Manager

SUBSIDIARIES

FIRST FEDERAL FINANCE CORPORATION
DBA MONEY EXPRESS "LA FINANCIERA"

Angel Alvarez-Perez
Chief Executive Officer

Aurelio Aleman
President and Chief Operating
Officer

Carlos Power
Vice President and General Manager

FIRST LEASING AND RENTAL CORPORATION

Angel Alvarez-Perez, Esq.
Chief Executive Officer

Aurelio Aleman
President and Chief Operating
Officer

Agustin Davila
General Manager

[PHOTO]

Yagrumo Leaf

SELECTED FINANCIAL DATA

Year ended December 31,	2000	1999	1998	1997
	(In thousands except for per share results)			
Condensed Income Statements:				
Total interest income	$463,388	$369,063	$321,298	$285,160
Total interest expense	272,615	183,330	155,130	130,429
Net interest income	190,773	185,733	166,168	154,731
Provision for loan losses	45,719	47,961	76,000	55,676
Other income	50,032	32,862	58,240	39,866
Other operating expenses	113,049	101,271	91,798	83,268
Unusual item - SAIF assessment				
Income before income tax provision, extraordinary item and cumulative effect of accounting change	82,037	69,363	56,610	55,653
Provision for income tax	14,761	7,288	4,798	8,125
Income before extraordinary item and cumulative effect of accounting change	67,276	62,075	51,812	47,528
Extraordinary item				
Cumulative effect of accounting change				
Net income	67,276	62,075	51,812	47,528
Per Common Share Results (1):				
Income before extraordinary item and cumulative effect of accounting change	$2.21	$1.98	$1.74	$1.58
Extraordinary item				
Cumulative effect of accounting change				
Net income per common share - diluted	$2.21	$1.98	$1.74	$1.58
Cash dividends declared	$0.44	$0.36	$0.30	$0.24
Average shares outstanding	26,943	28,941	29,586	30,036
Average shares outstanding - diluted	27,145	29,199	29,858	30,204
Balance Sheet Data:				
Loans and loans held for sale	$3,498,198	$2,745,368	$2,120,054	$1,959,301
Allowance for possible loan losses	76,919	71,784	67,854	57,712
Investments	2,233,216	1,811,164	1,800,489	1,276,900
Total assets	5,919,657	4,721,568	4,017,352	3,327,436
Deposits	3,345,984	2,565,422	1,775,045	1,594,635
Borrowings	2,069,484	1,803,729	1,930,488	1,458,148
Total common equity	269,461	204,902	270,368	236,379
Total equity	434,461	294,902	270,368	236,379
Book value per common share, end of year	10.20	7.30	9.17	7.93
Regulatory Capital Ratios (In Percent):				
Total capital to risk weighted assets	14.43	16.16	17.39	17.26
Tier 1 capital to risk weighted assets	11.23	11.64	11.55	11.07
Tier 1 capital to average assets	7.28	7.47	6.59	7.44
Selected Financial Ratios (In Percent):				
Net income to average total assets	1.28	1.49	1.48	1.63
Interest rate spread (2)	3.38	4.29	4.76	5.30
Net interest income to average earning assets (2)	3.91	4.85	5.27	5.83
Yield on average earning assets (2)	9.21	9.29	9.83	10.45
Cost on average interest bearing liabilities	5.83	5.00	5.07	5.15
Net income to average total equity	21.22	21.06	20.54	22.30
Net income to average common equity	27.81	24.68	20.54	22.30
Average total equity to average total assets	6.05	7.07	7.22	7.32
Dividend payout ratio	19.72	17.96	17.12	15.14
Efficiency ratio (3)	46.95	46.33	40.91	42.79
Offices:				
Number of full service branches	48	48	40	36
Loan origination offices	38	41	45	44

(1) Amounts presented were recalculated, when applicable, to retroactively consider the effect of common stock splits.
(2) Ratios for 1993 and thereafter were computed on a taxable equivalent basis.
(3) Other operating expenses to the sum of net interest income and other income.

1996	1995	1994	1993	1992	1991
$256,523	$208,488	$180,309	$159,433	$158,993	$171,789
113,027	96,838	76,674	72,413	85,986	109,942
143,496	111,650	103,635	87,020	73,007	61,847
31,582	30,894	17,674	18,669	13,596	16,444
29,614	48,268	18,169	17,123	13,563	18,895
82,498	65,628	60,760	56,994	54,745	51,423
9,115					
49,915	63,396	43,370	28,480	18,229	12,875
12,281	14,295	12,385	6,525	2,879	1,420
37,634	49,101	30,985	21,955	15,350	11,455
		(429)		(870)	(1,400)
			6,840		
37,634	49,101	30,556	28,795	14,480	10,055
$1.22	$1.58	$1.01	$0.63	$0.37	$0.26
		(0.02)		(0.02)	(0.04)
			0.21		
$1.22	$1.58	$0.99	$0.84	$0.35	$0.22
$0.20	$0.08	N/A	N/A	N/A	N/A
30,794	30,592	29,977	29,322	28,584	28,584
30,952	31,118	30,859	32,946	34,065	33,237
$1,896,074	$1,556,606	$1,501,273	$1,237,928	$1,182,409	$1,264,380
55,254	55,009	37,413	30,453	30,474	29,001
830,980	785,747	595,555	603,373	636,781	564,431
2,822,147	2,432,816	2,174,692	1,913,902	1,888,754	1,898,399
1,703,926	1,518,367	1,493,445	1,398,247	1,359,448	1,396,066
884,741	698,097	536,278	399,442	413,403	405,885
191,142	171,202	120,015	92,785	50,194	38,410
191,142	171,202	120,015	92,785	88,622	74,146
6.32	5.51	3.99	3.14	1.75	1.35
15.25	16.17	9.76	9.05	9.32	7.08
9.32	9.93	8.50	7.79	8.06	5.75
6.65	6.82	5.74	4.70	4.60	3.74
1.48	2.22	1.53	1.53	.78	.53
5.46	5.07	5.23	4.73	3.66	3.19
6.03	5.59	5.65	5.10	4.04	3.39
10.63	10.12	9.63	9.10	8.80	9.41
5.17	5.05	4.40	4.37	5.14	6.22
20.49	33.19	29.07	30.36	17.70	14.38
20.49	33.19	29.07	39.68	26.37	20.20
7.23	6.68	5.27	5.05	4.38	3.67
16.32	5.06	N/A	N/A	N/A	N/A
47.66	41.04	49.88	54.73	63.24	63.69
36	36	32	33	33	33
47	43	23	9	4	1

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

OPERATIONS

FINANCIAL REVIEW SUMMARY

For the year 2000, First BanCorp (the Corporation) recorded earnings of $67,275,609 or $2.22 per common share (basic) and $2.21 per common share (diluted), compared to $62,074,949 or $2.00 per common share (basic) and $1.98 per common share (diluted) for 1999, and $51,812,387 or $1.75 per common share
(basic) and $1.74 per common share (diluted) for 1998.

The increase in the Corporation's earnings are attributed to the net interest income earned on the growing portfolio of earning assets, other operating income, improvements in asset quality resulting in a lower provision for loan losses, and controls over operating expenses. For 2000 as compared to 1999, net income increased by $5,200,660 or $0.23 per common share (diluted), and for 1999 as compared to 1998, by $10,262,562 or $0.24 per common share (diluted).

Return on average assets was 1.28% for 2000, 1.49% for 1999 and 1.48% for 1998. Return on average equity was 21.22% for 2000, 21.06% for 1999 and 20.54% for 1998. Return on average common equity was 27.81% for 2000, 24.68% for 1999 and 20.54% for 1998.

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 $191 million for 2000 from $186 million in 1999 and $166 million in 1998. This improvement results from the continuous increase in the average volume of interest earning assets net of an increase in the average volume of interest bearing liabilities to fund those assets. This is reflected in an increase in the average volume of interest earning assets of $1,023 million for 2000 as compared to 1999 and of $721 million for 1999 as compared to 1998. Interest bearing liabilities increased by $1,007 million for 2000 as compared to 1999 and by $606 million for 1999 as compared to 1998.

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 2000	1999	1998	Interest income (1) / expense 2000	1999	1998	Average rate (1) 2000	1999	1998
				(Dollars in thousands)					
Earning Assets:									
Deposits at banks and other short-term investments	$ 9,293	$ 27,344	$ 40,766	$ 527	$ 450	$ 2,028	5.67%	1.65%	4.97%
Government obligations	528,903	415,742	319,777	36,043	24,997	19,984	6.81%	6.01%	6.25%
Mortgage backed securities	1,457,044	1,294,195	1,032,632	100,415	92,157	77,463	6.89%	7.12%	7.50%
Other investment	51,508	18,646	1,150	4,366	1,598	186	8.48%	8.57%	16.14%
FHLB stock	18,008	16,170	10,252	1,249	1,101	743	6.94%	6.81%	7.25%
Total investments	2,064,756	1,772,097	1,404,577	142,600	120,303	100,404	6.91%	6.79%	7.15%
Consumer loans	1,026,044	1,013,782	1,032,704	140,635	138,130	139,309	13.71%	13.63%	13.49%
Residential real estate loans	573,866	327,700	290,564	49,115	30,754	30,807	8.56%	9.38%	10.60%
Construction loans	169,257	94,940	19,169	18,251	9,216	1,852	10.78%	9.71%	9.66%
Commercial loans	1,210,783	847,917	613,697	110,808	75,879	56,239	9.15%	8.95%	9.16%
Finance leases	103,114	68,577	43,108	12,499	9,080	6,022	12.12%	13.24%	13.97%
Total loans (2)	3,083,064	2,352,916	1,999,242	331,308	263,059	234,229	10.75%	11.18%	11.72%
Total earning assets	$5,147,820	$4,125,013	$3,403,819	$473,908	$383,362	$334,633	9.21%	9.29%	9.83%
Interest Bearing Liabilities:									
Interest bearing checking accounts	$ 162,456	$ 140,690	$ 123,847	$ 5,546	$ 4,931	$ 4,487	3.41%	3.50%	3.62%
Savings accounts	433,937	413,662	398,249	12,792	12,381	11,717	2.94%	2.99%	2.94%
Certificate accounts	2,173,244	1,373,263	972,433	134,945	73,177	54,214	6.20%	5.33%	5.58%
Interest bearing deposits	2,769,637	1,927,615	1,494,529	153,283	90,489	70,418	5.53%	4.69%	4.71%
Other borrowed funds	1,851,524	1,728,913	1,559,892	116,130	92,370	84,460	6.27%	5.34%	5.41%
FHLB advances	51,053	8,451	4,515	3,201	471	252	6.27%	5.57%	5.58%
Total interest bearing liabilities	$ 4,672,214	$3,664,979	$3,058,936	$272,614	$183,330	$155,130	5.83%	5.00%	5.07%
Net interest income				$201,294	$200,032	$179,503			
Interest rate spread							3.38%	4.29%	4.76%
Net interest margin							3.91%	4.85%	5.27%

(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.

	2000 compared to 1999 Increase (decrease) Due to: Volume	Rate	Total	1999 compared to 1998 Increase (decrease) Due to: Volume	Rate	Total
	(In thousands)					
Earning assets:						
Deposits at banks and other short-term investments	$ (661)	$ 738	$ 77	$ (521)	$(1,057)	$(1,578)
Government obligations	7,413	3,633	11,046	5,884	(871)	5,013
Mortgage backed securities	11,410	(3,152)	8,258	19,123	(4,429)	14,694
Other investment	2,742	26	2,768	2,143	(731)	1,412
FHLB stock	128	20	148	416	(58)	358
Total investments	21,032	1,265	22,297	27,045	(7,146)	19,899
Consumer loans	1,678	827	2,505	(2,565)	1,386	(1,179)
Residential real estate loans	22,086	(3,724)	18,362	3,711	(3,765)	(54)
Construction loans	7,915	1,120	9,035	7,355	9	7,364
Commercial loans	33,172	1,757	34,929	21,212	(1,572)	19,640
Finance leases	4,380	(961)	3,419	3,465	(406)	3,059
Total loans	69,231	(981)	68,250	33,178	(4,348)	28,830
Total interest income	90,263	284	90,547	60,223	(11,494)	48,729
Interest bearing liabilities:						
Deposits	44,546	18,248	62,794	20,368	(297)	20,071
Other borrowed funds	6,881	16,879	23,760	9,091	(1,181)	7,910
FHLB advances	2,664	66	2,730	219	0	219
Total interest expense	54,091	35,193	89,284	29,678	(1,478)	28,200
Change in net interest income	$36,172	$(34,909)	$ 1,263	$30,545	$(10,016)	$20,529

Total interest income includes tax equivalent adjustments of $11 million, $14 million and $13 million for 2000, 1999, and 1998, respectively. On a tax equivalent basis, net interest income increased to $201 million for 2000 from $200 million for 1999, and $180 million for 1998. The interest rate spread and net interest margin amounted to 3.38% and 3.91%, respectively, for 2000, as compared to 4.29% and 4.85%, respectively, for 1999 and to 4.76% and 5.27%, respectively, for 1998. The reduction in the interest rate spread and net interest margin for 2000 is mainly due to the increase in the average volume of lower yielding investments, commercial loans and residential real estate loans when compared to the average volume of higher yielding consumer loans. In addition, the interest rate spread and margin were also affected by the higher interest rates on funding costs, which prevailed throughout the year.

2000 compared to 1999

On a tax equivalent basis interest income increased by $91 million for 2000 as compared to 1999. On a tax equivalent basis the yield on earning assets was 9.21% for 2000 as compared to 9.29% for 1999. The increase in interest income results from the growth in the average volume of interest earning assets of $1,023 million in 2000.

For the loan portfolio, the growth in 2000 of $363 million in the average volume of commercial loans (including commercial real estate loans) represented an increase of $33 million in interest income due to volume, and an increase of $2 million in interest income due to rate. The average portfolio of construction loans increased by $74 million for 2000, representing a positive volume variance of $8 million and a positive rate variance of $1 million. The average portfolio of residential mortgage loans increased by $246 million for 2000, representing a positive volume variance of $22 million. The average finance lease portfolio (mostly composed of consumer loans) increased by $35 million in 2000, representing a positive volume variance of $4 million. The increase of $12 million in the average volume of consumer loans in 2000, represented a positive variance in interest income due to volume of $2 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 higher risk consumer loans.

For the investment portfolio, the average volume of mortgage backed securities increased by $163 million in 2000. The tax equivalent yield on mortgage backed securities was 6.89% in 2000 and 7.12% in 1999. The portfolio of mortgage backed securities contributed $11 million in interest income due to volume net of $3 million decrease in interest income due to rate. The average volume of government obligations increased by $113 million for 2000 as compared to 1999, causing a total increase in interest income of $11 million.

Interest expense increased by $89 million for 2000 as compared to 1999. This was the result of the increase in the average volume of interest bearing liabilities of $1,007 million for 2000 as compared to 1999 which generated a volume variance of $54 million, together with an increase in the cost of interest bearing liabilities from 5.00% for 1999 to 5.83% for 2000 which caused a rate variance of $35 million for 2000 as compared to 1999.

1999 compared to 1998

On a tax equivalent basis interest income increased by $49 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 million in 1999.

For the loan portfolio, the growth in 1999 of $234 million in the average volume of commercial loans (including commercial real estate loans) represented an increase of $21 million in income due to volume, partially offset by a reduction of $2 million in interest income due to rate. The average portfolio of construction loans increased by $76 million for 1999, representing a positive volume variance of $7 million. The average portfolio of residential mortgage loans increased by $37 million for 1999, representing a positive volume variance of $4 million. The average finance lease portfolio (mostly composed of consumer loans) increased by $26 million in 1999, representing a positive volume variance of $4 million. The decrease of $19 million in the average volume of consumer loans in 1999 caused a negative variance in interest income due to volume of $3 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 $262 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 million in interest income due to volume net of $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 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 $30 million. However, the increase in volume 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 $2 million for 1999 as compared to 1998.

Provision for Loan Losses

During 2000, the Corporation provided $46 million for loan losses, as compared to $48 million in 1999 and $76 million in 1998. The provision for loan losses recorded in 2000 reflects the decrease in net charge-offs due to improvements in the credit quality of the loan portfolio. The reserve allocated to consumer loans has decreased as a result of the decrease in the loss ratio. Net charge offs for 2000 amounted to $42 million, as compared to net charge offs for 1999 of $45 million and of $66 million for 1998. Net charge offs to average loans outstanding has improved to 1.36% as compared to 1.90% and 3.31% for 1999 and 1998, respectively.

The allowance activity for 2000, and previous four years was as follows:

Year ended December 31,	2000	1999	1998	1997	1996
			(Dollars in thousands)		
Allowance for loan losses, beginning of period	$71,784	$67,854	$57,712	$55,254	$55,009
Provision for loan losses	45,719	47,960	76,000	55,675	31,582
Loans charged off:					
Commercial	(3,463)	(825)	(880)	(881)	(1,273)
Finance leases	(2,145)	(793)	(3,438)	(1,399)	(161)
Consumer	(46,223)	(52,047)	(67,906)	(57,311)	(33,295)
Recoveries	9,807	9,048	6,034	6,374	3,292
Net charge offs	(42,024)	(44,617)	(66,190)	(53,217)	(31,437)
Other adjustments	1,440	587	332	_______	100
Allowance for loan losses, end of period	$76,919	$71,784	$67,854	$57,712	$55,254
Allowance for loan losses to year end total loans and loans held for sale	2.20%	2.61%	3.20%	2.95%	2.91%
Net charge offs to average loans outstanding during the period	1.36%	1.90%	3.31%	2.79%	1.80%

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,	2000	1999 (In thousands)	1998
Other fees on loans	$19,913	$ 12,887	$11,158
Service charges on deposit accounts	8,898	8,540	7,844
Fees on loans serviced for others	524	864	1,617
Rental income	2,434	2,610	2,292
Other commissions	1,340		
Other operating income	8,654	6,592	5,137
Other income before gain on sale of investments and trading	41,763	31,493	28,048
Gain on sale of investments	7,850	1,377	26,827
Trading income(loss)	419	(8)	3,365
Total	$50,032	$32,862	$58,240

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 $20 million in 2000 from $13 million in 1999 and $11 million in 1998 was mainly due to fees generated on the increased portfolio of loans, and to the elimination on the prohibition of certain credit card fees in Puerto Rico.

Service charges on deposit accounts represent an important and stable source of other income for the Corporation, amounting to $9 million for 2000 and 1999, and to $8 million for 1998.

Fees on loans serviced for others primarily reflect the servicing fees on residential mortgage loans originated by the Corporation and subsequently securitized. The decrease in this account is due to the total repayment in 1999 of the auto loan portfolio securitized in 1995.

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.

In 2000 the Corporation earned $1 million in other commissions as a result of the agreement with Goldman, Sachs & Co., to participate in bond issues by the Government Development Bank of Puerto Rico.

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, and other fees generated on the increased portfolio of commercial loans.

Gains on sale of investment securities amounted to $8 million in 2000, $1 million in 1999 and $27 million in 1998. 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 $113 million for 2000 as compared to $101 million for 1999 and $92 million for 1998. The following table presents the components of other operating expenses.

Year ended December 31,	2000	1999	1998
		(In thousands)	
Salaries and benefits	$ 50,014	$ 48,546	$43,185
Occupancy and equipment	22,792	20,137	18,155
Deposit insurance premium	547	1,096	971
Other taxes and insurance	6,355	5,683	5,607
Professional and service fees	8,740	6,672	5,820
Business promotion	8,468	5,896	5,922
Communications	5,573	4,667	4,330
Real estate owned operations	79	(303)	42
Amortization of debt issue costs	320	612	691
Expense of rental equipment	1,525	1,478	1,226
Other	8,637	6,789	5,849
Total	$113,050	$101,273	$91,798

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. The Corporation's efficiency ratio, which is the ratio of other operating expenses to the sum of net interest income and other income, was 46.95% for 2000 as compared to 46.33% and 40.91% for 1999 and 1998, respectively.

The increase in operating expenses for 2000 is mainly the result of the investments made in new technology and infrastructure to provide the latest in delivery channels for its commercial and consumer lending business. In addition, the increase in operating expenses during 2000 was affected by the acquisition in July of 1999 of the Royal Bank's operations in Puerto Rico, and the acquisition of four branches of CitiBank in December of 1999. During 2000 the Corporation relocated three branches mainly to shopping malls making the facilities more accessible to its customers. In September of 2000, the Corporation purchased First Virgin Island Federal Savings Bank (FVI), adding a fourth branch in the U.S. Virgin Islands.

In addition to the above-mentioned acquisitions, the salary and benefits category was also affected by annual 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 results also from 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.

The increase in the professional and service fee category for 2000 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, including the effect of the acquisition of the Western Auto portfolio in 1999.

Business promotion costs amounted to $8 million for 2000 as compared to $6 million in 1999 and 1998. Business promotion expenses have been incurred to increase loan and deposit volumes. During 2000, the Corporation promoted the innovative deposit account, the "Bonus Account", launched in 1999.

Income Tax Expense

The provision for income tax amounted to $15 million (or 18% of pre-tax earnings) for 2000 as compared to $7 million (or 11% of pre-tax earnings) in 1999, and $5 million (or 8% of pre-tax earnings) in 1998. The increase in the effective tax rate results from a higher growth in the commercial and residential estate line of business, which are fully taxable, when compared with the increase in exempt investment securities. In addition, the total increase in other operating income is fully taxable. However, 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 for the following years:

December 31, (In thousands)	2000	1999	1998
Assets			
Interest earning assets:			
Deposits at banks and other short-term investments	$ 9,293	$ 27,344	$ 40,766
Government obligations	528,903	415,742	319,777
Mortgage backed securities	1,457,044	1,294,195	1,032,632
Other investment	51,508	18,646	1,150
FHLB stock	18,008	16,170	10,252
Total investments	2,064,756	1,772,097	1,404,577
Commercial loans	1,210,783	847,917	613,697
Consumer loans	1,026,044	1,013,782	1,032,704
Residential real estate loans	573,866	327,700	290,564
Construction loans	169,257	94,940	19,169
Finance leases	103,114	68,577	43,108
Total loans	3,083,064	2,352,916	1,999,242
Total interest earning assets	5,147,820	4,125,013	3,403,819
Total non-interest earning assets (1)	91,556	47,768	89,717
Total assets	$5,239,376	$4,172,781	$3,493,536
Liabilities and stockholders' equity			
Interest bearing liabilities:			
Interest bearing checking accounts	$ 162,456	$ 140,690	$ 123,847
Savings accounts	433,937	413,662	398,249
Certificate accounts	2,173,244	1,373,263	972,433
Interest bearing deposits	2,769,637	1,927,615	1,494,529
Other borrowed funds	1,851,524	1,728,913	1,559,892
FHLB advances	51,053	8,451	4,515
Total interest bearing liabilities	4,672,214	3,664,979	3,058,936
Total non-interest bearing liabilities	250,135	212,993	182,369
Total liabilities	4,922,349	3,877,972	3,241,305
Stockholders' equity	317,027	294,809	252,231
Total liabilities and stockholders' equity	$5,239,376	$4,172,781	$3,493,536

(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, 2000 amounted to $5,920 million, $1,198 million over the $4,722 million at December 31, 1999.

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

December 31,	2000	% of Total	1999	% of Total	1998	% of Total	1997	% of Total	1996	% of Total
	(Dollars in thousands)									
Residential real estate loans	$ 746,792	21	$ 473,563	17	$ 303,011	14	$ 292,604	15	$ 297,246	16
Commercial real estate loans	438,321	13	371,643	14	332,219	16	306,734	15	256,227	14
Construction loans	203,955	6	132,068	5	62,963	3	9,279	1	10,209	1
Commercial loans	947,709	27	655,417	24	368,549	17	235,571	12	174,770	9
Total commercial	1,589,985	46	1,159,128	43	763,731	36	551,584	28	441,206	24
Finance leases	122,883	3	85,692	3	52,214	3	42,500	2	58,481	3
Consumer loans	1,038,538	30	1,026,985	37	1,001,098	47	1,072,613	55	1,099,141	57
Total	$3,498,198	100	$2,745,368	100	$2,120,054	100	$1,959,301	100	$1,896,074	100

Total loans receivable increased by $753 million in 2000 when compared with 1999. During 2000 the Corporation continued its strategy of diversifying its loan portfolio composition through the origination and purchase of commercial loans and residential real estate loans. This resulted in a significant increase of $431 million in the commercial loan portfolio and of $273 million in residential real estate loans. Finance leases, which are mostly composed of loans to individuals to finance the acquisition of an auto, increased by $37 million. Consumer loans increased by $12 million in 2000. The allowance for loan losses amounted to $77 million at December 31, 2000 as compared to $72 million at December 31, 1999.

The Corporation's investment portfolio at December 31, 2000 amounted to $2,233 million, an increase of $422 million when compared with the investment portfolio of $1,811 million at December 31, 1999.

As a result of the merger with FVI, the Corporation acquired total assets of $56 million, including $46 million on loans receivable and $8 million on investments.

The composition and tax equivalent weighted average interest rates of the Corporation's earning assets at December 31, 2000 were as follows:

	Amount (In thousands)	Weighted Average Rate
Money market instruments	$ 2,020	6.35%
Government obligations	595,274	7.24%
Mortgage backed securities	1,530,795	6.84%
FHLB of N.Y. stock	18,537	7.32%
Other investment	86,590	5.45%
Total investments	2,233,216	6.90%
Consumer loans	1,038,538	13.59%
Residential real estate loans	746,792	8.69%
Construction loans	203,955	10.32%
Commercial and commercial real estate loans	1,386,030	9.33%
Finance leases	122,883	11.79%
Total loans(1)	3,498,198	10.61%
Total earning assets	$5,731,414	9.16%

(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, 2000, total non-performing assets amounted to $74 million (1.25% of total assets) as compared to $57 million (1.22% of total assets) at December 31, 1999 and $63 million (1.57% of total assets) at December 31, 1998. The Corporation's reserve to non-performing loans was 113.6% at December 31, 2000 as compared to 133.4% and 119.1% at December 31, 1999 and 1998, respectively.

The increase of $17 million in non-performing assets as of December 31, 2000 when compared to December 31, 1999 was mostly due to one large commercial loan and to the addition of non-performing loans of FVI, acquired during the third quarter of 2000.

The following table presents non-performing assets at the dates indicated.

December 31,	2000	1999	1998	1997	1996
			(Dollars in thousands)		
Non-accruing loans:					
Residential real estate	$15,977	$ 8,633	$ 9,151	$ 6,963	$ 8,814
Commercial and commercial real estate	31,913	17,975	19,355	16,869	11,568
Finance leases	2,032	2,482	1,716	4,560	5,125
Consumer	17,794	24,726	26,736	24,547	25,655
	67,716	53,816	56,958	52,939	51,162
Other real estate owned (OREO)	2,981	517	3,642	1,132	1,696
Other repossessed property	3,374	3,112	2,277	8,702	7,566
Total non-performing assets	$74,071	$57,445	$62,877	$62,773	$60,424
Past due loans	$16,358	$13,781	$15,110	$11,544	$ 9,752
Non-performing assets to total assets	1.25%	1.22%	1.57%	1.89%	2.14%
Non-performing loans to total loans	1.94%	1.96%	2.69%	2.70%	2.70%
Allowance for loan losses	$76,919	$71,784	$67,854	$57,712	$55,254
Allowance to total non-performing loans	113.59%	133.39%	119.13%	109.02%	108.00%

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 estimate is based on the historical experience of the Corporation. Non-accruing real estate loans amounted to $16 million (2.14% of total residential real estate loans) at December 31, 2000, as compared to $9 million (1.82% of total residential real estate loans) and $9 million (3.02% of total residential real estate loans) at December 31, 1999 and 1998, respectively. The increase for year 2000 is due to the portfolio acquired from FVI.

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 $32 million (2.30% of total commercial loans) at December 31, 2000 as compared to $18 million (1.55% of total commercial loans) and $19 million (2.53% of total commercial loans) at December 31, 1999 and 1998, respectively. At December 31, 2000, there was only one non-accruing commercial loan of over $1 million, which is a $10 million loan.

Finance Leases - Finance leases are classified as non-accruing when they are delinquent 90 days or more. Non-accruing finance leases amounted to $2 million (1.65% of total finance leases) at December 31, 2000, compared to $3 million (2.90% of total finance leases) at December 31, 1999, and $2 million (3.29% of total finance leases) at December 31, 1998.

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 $18 million (1.71% of the total consumer loan portfolio) at December 31, 2000, $25 million (or 2.41% of the total consumer loan portfolio) at December 31, 1999 and $27 million (or 2.67% of the total consumer loan portfolio) at December 31, 1998. 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 $46 million in 2000 from $52 million in 1999, and $68 million in 1998.

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. The increase for year 2000 is due to OREOs acquired from FVI.

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, retail brokered deposits, institutional deposit, federal funds purchased, securities sold under agreements to repurchase, and notes.

Deposits

Total deposits amounted to $3,346 million at December 31, 2000, as compared to $2,565 million and $1,775 million at December 31, 1999 and 1998, respectively.

The following table presents the composition of total deposits.

December 31,	2000	1999	1998
		(Dollars in thousands)	
Savings accounts	$ 430,298	$ 447,946	$ 416,424
Interest bearing checking accounts	170,631	162,601	130,883
Certificates of deposit	2,512,891	1,742,978	1,054,634
Interest bearing deposits	3,113,820	2,353,525	1,601,941
Non-interest bearing deposits	232,164	211,896	173,104
Total	$3,345,984	$2,565,421	$1,775,045
Weighted average rate during the period on interest bearing deposit	5.53%	4.69%	4.71%
Interest bearing deposits:			
Average balance outstanding	$2,769,637	$1,927,614	$1,494,529
Non-interest bearing deposits:			
Average balance outstanding	213,728	179,478	145,357

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

Total interest bearing deposits increased by $760 million at December 31, 2000 when compared to December 31, 1999. This fluctuation was mainly due to:
(1) an increase in branch-based deposits of $114 million; (2) an increase of $656 million in brokered certificates of deposits; (3) an increase of $39 million in certificates issued to the agencies of the Government of Puerto Rico; net of (4) a decrease of $49 million in certificates issued to corporations operating under Section 936 of the Internal Revenue Code. Non-interest bearing deposits increased by $20 million in 2000.

Borrowings

At December 31, 2000 total borrowings amounted to $2,069 million as compared to $1,804 million and $1,931 million at December 31, 1999 and 1998, respectively. The following table presents the composition of borrowings.

December 31,	2000	1999	1998
		(Dollars in thousands)	
Federal funds purchased and securities sold under agreements to repurchase	$1,856,436	$1,452,151	$1,623,698
Other short term borrowings		152,484	86,595
Advances from FHLB	67,000	50,000	2,600
Notes payable	55,500	55,500	118,100
Subordinated notes	90,548	93,594	99,496
Total	$2,069,484	$1,803,729	$1,930,489
Weighted average rate during the period	6.27%	5.34%	5.41%

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, 2000 amounted to $1,856 million or 90% of total borrowings. Repurchase agreements had a total weighted average cost of 6.23% during the year ended December 31, 2000. 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, 2000, were as follows:

	Amount (In thousands)	Weighted Average rate
Interest bearing deposits	$3,113,820	5.83%
Borrowed funds	2,069,484	6.39%
	$5,183,304	6.05%

Capital

During 2000, the Corporation increased its total capital from $295 million at December 31, 1999 to $435 million at December 31, 2000. Total capital increased by $140 million due to earnings of $67 million, the issuance of 3,000,000 shares of preferred stock at $72 million, the issuance of 6,000 shares of common stock through the exercise of stock options at a cost of $93,750, a positive fluctuation in the valuation of securities available for sale of $49 million, reduced by the repurchased shares of common stock at a total cost of $30 million, and cash dividends of $19 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, 2000 the Corporation had a leverage ratio of 7.28%; a total risk based capital ratio of 14.43%; and a Tier 1 risk-based capital ratio of 11.23%.

Dividends

In 2000, 1999 and 1998 the Corporation declared four quarterly cash dividends of $0.11, $0.09 and $0.075 per common share, respectively, for an annual dividend of $0.44, $0.36 and $0.30, respectively. Total cash dividends paid on common shares amounted to $12 million for 2000 (or a 19.72% dividend payout ratio), $10 million for 1999 (or a 17.96% dividend payout ratio) and $9 million for 1998 (or a 17.12% dividend payout ratio). Dividends declared on preferred stock amounted to $7 million in 2000 and $4 million in 1999.

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 5% and a negative 30% of assets during 2000. Management considers that the ranges of the GAP ratio achieved during 2000 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 the past, the Corporation has securitized and sold auto and mortgage loans as supplementary sources of funding. Commercial paper had 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, 2000, there were 717 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
2000:		
December	$24.69	$20.50
September	24.50	18.00
June	18.75	16.69
March	21.00	16.25
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

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, the Executive Vice Presidents, the Senior Vice President of 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 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 2001 would be $238 million under flat rates (2000 - $203 million), $218 million under rising rates (2000 - $184 million), and $242 million under falling rates (2000 - $222 million). Assuming a growing balance sheet, tax equivalent net interest income for 2001 would be $255 million under flat rates (2000 - $214 million), $231 million under rising rates (2000 - $193 million) and $271 million under falling rates (2000 - $228 million). These simulations do not necessarily 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.

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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

/s/ PricewaterhouseCoopers LLP
February 23, 2001

CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)
License No. 216 Expires Dec. 1, 2001
Stamp 1685006 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, 2000	December 31, 1999
Assets		
Cash and due from banks	$ 63,372,591	$ 58,267,929
Money market instruments	2,020,348	35,217,064
Investment securities available for sale, at market:		
Securities pledged that can be repledged	1,621,457,451	1,206,162,230
Other investment securities	280,205,723	247,911,941
Total investment securities available for sale	1,901,663,174	1,454,074,171
Investment securities held to maturity, at cost:		
Securities pledged that can be repledged	268,432,581	263,898,324
Other investment securities	42,562,921	40,147,715
Total investment securities held to maturity	310,995,502	304,046,039
Federal Home Loan Bank (FHLB) stock	18,536,500	17,826,500
Loans held for sale		37,794,078
Loans receivable	3,498,198,207	2,707,574,019
Total loans	3,498,198,207	2,745,368,097
Allowance for loan losses	(76,918,973)	(71,784,237)
Total loans - net	3,421,279,234	2,673,583,860
Other real estate owned	2,981,472	517,405
Premises and equipment - net	72,087,346	61,947,817
Accrued interest receivable	27,969,551	17,917,526
Due from customers on acceptances	2,177,043	2,738,176
Other assets	96,573,820	95,431,678
Total assets	$5,919,656,581	$4,721,568,165
Liabilities and Stockholders' Equity		
Liabilities:		
Non-interest bearing deposits	$ 232,164,469	$ 211,896,459
Interest bearing deposits	3,113,819,927	2,353,525,177
Federal funds purchased and securities sold under agreements to repurchase	1,856,436,127	1,452,151,222
Other short-term borrowings		152,484,084
Advances from FHLB	67,000,000	50,000,000
Notes payable	55,500,000	55,500,000
Bank acceptances outstanding	2,177,043	2,738,176
Accounts payable and other liabilities	67,550,152	54,776,718
	5,394,647,718	4,333,071,836
Subordinated notes	90,548,314	93,594,080
Stockholders' equity:		
Preferred stock, authorized 50,000,000 shares: issued and outstanding 6,600,000 shares (1999 - 3,600,000 shares) at $25.00 liquidation value per share	165,000,000	90,000,000
Common stock, $1.00 par value, authorized 250,000,000 shares; issued 29,618,552 shares (1999 - 29,612,552 shares)	29,618,552	29,612,552
Less: Treasury stock (at par value)	(3,194,400)	(1,552,000)
Common stock outstanding	26,424,152	28,060,552
Additional paid-in capital	16,567,516	19,863,466
Capital reserve	50,000,000	40,000,000
Legal surplus	126,792,514	126,792,514
Retained earnings	69,275,152	58,834,676
Accumulated other comprehensive income - unrealized loss on securities available for sale, net of tax	(19,598,785)	(68,648,959)
	434,460,549	294,902,249
Contingencies and commitments		
Total liabilities and stockholders' equity	$ 5,919,656,581	$ 4,721,568,165

The accompanying notes are an integral part of these statements.

FIRST BANCORP
CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31, 2000	1999	1998
Interest income:			
Loans	$329,007,974	$260,741,177	$231,513,730
Investment securities	132,603,596	106,770,856	88,312,096
Short-term investments	527,155	450,248	729,417
Dividends on FHLB stock	1,248,755	1,100,823	743,161
Total interest income	463,387,480	369,063,104	321,298,404
Interest expense:			
Deposits	153,283,358	90,489,121	70,418,359
Short-term borrowings	105,326,693	79,455,499	69,494,151
Notes payable	10,803,634	12,914,538	14,965,751
Advances from FHLB	3,200,940	470,590	251,707
Total interest expense	272,614,625	183,329,748	155,129,968
Net interest income	190,772,855	185,733,356	166,168,436
Provision for loan losses	45,718,500	47,960,500	76,000,000
Net interest income after provision for loan losses	145,054,355	137,772,856	90,168,436
Other income:			
Other fees on loans	19,913,340	12,886,541	11,157,852
Service charges on deposit accounts	8,898,170	8,540,291	7,843,837
Trading income (loss)	419,367	(7,946)	3,364,843
Fees on loans serviced for others	523,903	864,278	1,617,292
Gain on sale of investments	7,850,472	1,376,672	26,827,417
Rental income	2,433,664	2,609,657	2,291,814
Other operating income	9,993,144	6,592,940	5,136,795
Total other income	50,032,060	32,862,433	58,239,850
Other operating expenses:			
Employees' compensation and benefits	50,014,110	48,545,839	43,185,324
Occupancy and equipment	22,791,863	20,137,354	18,154,663
Taxes and insurance	6,901,732	6,778,354	6,577,894
Net cost (gain) of operations and disposition of other real estate owned	78,509	(303,359)	42,359
Amortization of debt issuance costs	319,899	612,404	691,411
Other	32,943,391	25,501,303	23,146,048
Total other operating expenses	113,049,504	101,271,895	91,797,699
Income before income tax provision	82,036,911	69,363,394	56,610,587
Income tax provision	14,761,302	7,288,445	4,798,200
Net income	$67,275,609	$62,074,949	$ 51,812,387
Earnings per common share - basic	$2.22	$2.00	$1.75
Earnings per common share - diluted	$2.21	$1.98	$1.74

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	$ 67,275,609	$ 62,074,949	$ 51,812,387
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,014,068	7,645,035	7,827,866
Provision for loan losses	45,718,500	47,960,500	76,000,000
Amortization of deferred loan (fees) costs	(144,768)	(680,735)	881,411
Net gain on sale of investments securities	(7,850,472)	(1,376,673)	(26,827,417)
Originations of loans held for sale		(18,222,990)	(9,086,622)
Proceeds from sale of loans		1,266,787	
(Decrease) increase taxes payable	(19,474,679)	2,345,647	3,454,049
Increase in deferred tax asset	(3,917,506)	(6,702,849)	(11,454,033)
(Increase) decrease in accrued interest receivable	(10,052,025)	(7,179,454)	2,297,862
Increase in accrued interest payable	11,677,924	10,056,988	1,072,485
Decrease in other assets	5,084,972	12,950,921	20,776,413
Increase in other liabilities	20,740,407	5,012,929	1,718,242
Total adjustments	50,796,421	53,076,106	66,660,256
Net cash provided by operating activities	118,072,030	115,151,055	118,472,643
Cash flows from (for) investing activities:			
Principal collected on loans	646,581,300	719,964,127	559,726,839
Loans originated	(1,222,590,263)	(1,270,442,873)	(797,256,751)
Purchase of loans	(238,055,000)	(118,603,000)	(1,330,497)
Sales of investment securities	58,452,236	9,630,866	302,128,585
Purchase of securities held-to-maturity	(6,949,462)	(277,624,203)	
Purchase of securities available-for-sale	(5,125,184,351)	(6,069,805,410)	(6,899,653,771)
Principal repayments and maturities of securities held-to-maturity		500,000	34,782,596
Principal repayments of securities available-for-sale	4,692,427,578	6,267,048,544	6,061,838,410
Additions to premises and equipment	(19,153,597)	(18,055,660)	(10,917,891)
Purchase of FHLB stock	(710,000)	(7,555,900)	(120,300)
Net cash used in investing activities	(1,215,181,559)	(764,943,509)	(750,802,780)
Cash flows from (for) financing activities:			
Net increase in deposits	780,562,759	790,376,740	180,410,210
Net increase (decrease) in federal funds purchased and securities sold under repurchase agreements	403,553,556	(172,898,023)	654,760,505
Net (decrease) increase in other short-term borrowings	(152,484,084)	65,889,375	(144,910,185)
FHLB advances taken (paid)	17,000,000	47,400,000	(26,400,000)
Payments of notes payable	(3,045,766)	(68,501,750)	(14,177,660)
Decrease (increase) in debt securities issuance cost	198,493	1,211,219	(1,049,270)
Dividends	(19,212,141)	(14,657,799)	(8,870,832)
Repurchase of common stock			(3,656,420)
Issuance of preferred stock	72,437,500	86,850,217	
Treasury stock acquired	(30,086,592)	(32,510,611)	(2,211,250)
Exercise of stock options	93,750	176,313	196,501
Net cash provided by financing activities	1,069,017,475	703,335,681	634,091,599
Net (decrease) increase in cash and cash equivalents	(28,092,054)	53,543,227	1,761,462
Cash and cash equivalents at beginning of year	93,484,993	39,941,766	38,180,304
Cash and cash equivalents at end of year	$ 65,392,939	$ 93,484,993	$ 39,941,766
Cash and cash equivalents include:			
Cash and due from banks	$ 63,372,591	$ 58,267,929	$ 39,416,097
Money market instruments	2,020,348	35,217,064	525,669
	$ 65,392,939	$ 93,484,993	$ 39,941,766

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, 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)			(3,330,025)	
Treasury stock acquired		(100,000)	(50,000)			(2,061,250)	
Stock options 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 acquired		(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)
Net income						67,275,609	
Change in valuation of securities available for sale							49,050,174
Issuance of preferred stock	75,000,000		(2,562,500)				
Addition to capital reserve				10,000,000		(10,000,000)	
Treasury stock acquired		(1,642,400)	(821,200)			(27,622,992)	
Stock options exercised		6,000	87,750				
Cash dividends:							
Common stock						(11,804,599)	
Preferred stock						(7,407,542)	
December 31, 2000	$165,000,000	$26,424,152	$16,567,516	$50,000,000	$126,792,514	$69,275,152	$(19,598,785)

The accompanying notes are an integral part of these statements.

FIRST BANCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31, 2000	1999	1998
Net income	$67,275,609	$62,074,949	$51,812,387
Other comprehensive income net of tax:			
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	54,938,028	(76,366,386)	16,839,050
Less: reclassification adjustment for gains included in net income	5,887,854	1,032,504	20,120,563
Total other comprehensive income (loss)	49,050,174	(77,398,890)	(3,281,513)
Comprehensive income (loss)	$116,325,783	$(15,323,941)	$48,530,874

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 financial 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 44 full-service banking branches in Puerto Rico and four 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 short-term money market instruments with maturities of 90 days or less.

Securities purchased under agreements to resell

The Corporation purchases securities under agreements to resell the same securities. The counterparties to these agreements retain control over the securities sold to the Corporation, accordingly, the 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. It is the Corporation's policy to take possession of the underlying security.

Investment securities

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

Held to maturity - Securities 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 deferred tax effects, 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.

The Corporation measures impairment individually for those commercial loans with a principal balance exceeding $1 million, and for delinquent residential real estate loans. An allowance is established when the collateral value of an impaired loan is lower than the carrying value of the loan. Groups of small balance, homogeneous loans are collectively evaluated for impairment. The portfolios of consumer loans, auto loans and finance leases are considered homogeneous and are evaluated collectively for impairment.

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 fees and costs

Loan 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) is credited (charged) to income.

Other real estate owned

Other real estate owned, acquired in settlement of loans, is recorded at the lower of cost (carrying value of the loan) or fair value minus estimated cost to sell the real estate. 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. 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.

Securities sold under agreements to repurchase

The Corporation sells 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 Corporation retains control over the securities sold under these agreements, accordingly, these agreements are considered financing transactions and the securities underlying the agreements remain in the asset accounts. The counterparty to certain agreements may have the right to repledge the collateral by contract or custom. Such assets are presented separately in the statements of financial condition as securities pledged to creditors that can be repledged.

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. Deferred taxes have been recorded based upon the Puerto Rico enacted tax rates. Current tax expense has been provided based upon the estimated tax liability to be incurred for tax return purposes.

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 method or the intrinsic value method. The Corporation uses the intrinsic value method of accounting. Under the intrinsic value 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 method on awards granted to employees must make pro forma disclosures of net income and earnings per share, as if the fair value method of accounting had been applied. Under the fair value method, compensation cost is measured at the grant date based on the fair 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, which assumes that proceeds for the exercise of options are used to repurchase common stock in the open market. Any stock splits or stock dividends are retroactively recognized in all periods presented in financial statements.

Comprehensive income

Comprehensive income includes net income and several other items that current accounting standards require to be recognized outside of net income, primarily the unrealized gain (loss) on securities available for sale, net of tax.

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. In June 2000, the Board issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", which amends SFAS No. 133. The provisions of these statements must be adopted on January 1, 2001.

SFAS No. 133, as amended, standardizes accounting for derivative instruments by requiring the recognition of all derivatives (both assets and liabilities) in the statement of financial position at fair value. Under SFAS No. 133, changes in the fair value of derivative instruments are accounted for as current income or other comprehensive income, depending on their intended use and designation. For transactions that qualify for hedge accounting, SFAS No. 133 provides for a matching of the timing of gain or loss recognition on the hedging instrument with the recognition in earnings of (a) the changes in the fair value of the hedged asset, liability, or a firm commitment that are attributable to the hedged risk or (b) the effect of the exposure to the variability of cash flows from the hedged asset, liability, or forecasted transaction. Note 32 to the financial statements provides additional details of the adoption of SFAS No. 133.

Transfer and servicing of financial assets and extinguishment of liabilities

The FASB recently issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of SFAS No. 125." SFAS No. 140 revises the standards for accounting for security transactions and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of SFAS No. 125's provisions without reconsideration. SFAS No. 140 is generally effective for transactions occurring after March 31, 2001. However, the provisions with respect to recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral are required for fiscal years ending after December 15, 2000. Management understands that the adoption of SFAS No. 140 will not have a material effect, if any, on the Corporation's financial position or 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, 13,000 and 6,000 shares of common stock were issued during 1999 and 2000 as part of the exercise of stock options under the Corporation's stock option plan.

The Corporation declared cash dividends on its common stock of $0.44 per share in 2000, of $0.36 per share in 1999, and of $0.30 per share in 1998.

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. 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. Under these programs, the Corporation repurchased a total of 1,642,400 shares of common stock at a cost of $30,086,590 during 2000, 1,452,000 shares of common stock at a cost of $32,510,611 during 1999, and 317,600 shares of common stock at a cost of $5,867,674 during 1998. The number of shares were adjusted to recognize the May 1998 stock split. From the total amount of common stock repurchased, 3,194,400 shares were held as treasury stock at December 31, 2000 (1999 - 1,552,000 shares) and were available for general corporate purposes.

Preferred stock

The Corporation has 50,000,000 shares of authorized non-cumulative and non-convertible preferred stock with a par value of $1, redeemable at the Corporation's option subject to certain terms. 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. During 2000, the Corporation issued 3,000,000 shares of preferred stock (3,600,000 shares-1999). The liquidation value per share is $25. Annual dividends of $2.0875 per share (issuance of 2000) and of $1.78125 per share (issuance of 1999), are payable monthly, if declared by the Board of Directors.

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 that a minimum of 10% of FirstBank's 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 Requirements

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 maintain 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, 2000 and 1999, the Corporation 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 since that date 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	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
At December 31, 2000						
Total Capital (to Risk-Weighted Assets):						
First BanCorp	$536,402	14.43%	$297,280	8%	$371,600	10%
FirstBank	469,774	12.76%	294,516	8%	368,145	10%
Tier I Capital (to Risk-Weighted Assets):						
First BanCorp	$417,203	11.23%	$148,640	4%	$222,960	6%
FirstBank	351,001	9.53%	147,258	4%	220,887	6%
Tier I Capital (to Average Assets):						
First BanCorp	$417,203	7.28%	$172,042	3%	$286,736	5%
FirstBank	351,001	6.18%	170,307	3%	283,846	5%
At December 31, 1999						
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%

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. Stock options are fully vested upon issuance. 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, 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
Granted	318,000	$22.31
Exercised	(6,000)	$15.63
Canceled	(2,000)	$26.00
At December 31, 2000	1,276,500	$18.37

The options outstanding at December 31, 2000 have an original expiration term of ten years and all of them are exercisable. The exercise price of the options outstanding at December 31, 2000 ranges from $5.79 to $28.38 and the weighted average remaining contractual life is approximately seven years.

Following is additional information concerning the stock options outstanding at December 31, 2000. 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
207,500	$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
175,000	$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
318,000	$22.31	December 2010
1,276,500		

Note 6 - Earnings Per Common Share

The calculations of earnings per common share for the years ended December 31, 2000, 1999 and 1998 follow:

	Year ended December 31,		
	2000	1999	1998
	(In thousands, except per share data)		
Net income	$67,276	$62,075	$51,812
Less: Preferred stock dividend	(7,408)	(4,275)	
Net income-attributable to common stockholders	$59,868	$57,800	$51,812
Earnings per common share-basic:			
Net income - available to common stockholders	$59,868	$57,800	$51,812
Weighted average common shares outstanding	26,943	28,941	29,586
Earnings per common share-basic	$ 2.22	$ 2.00	$ 1.75
Earnings per common share-diluted:			
Net income - available to common stockholders	$59,868	$57,800	$51,812
Weighted average common shares and share equivalents:			
Average common shares outstanding	26,943	28,941	29,586
Common stock equivalents - Options	202	258	272
Total	27,145	29,199	29,858
Earnings per common share-diluted	$ 2.21	$ 1.98	$ 1.74

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:

	Year ended December 31,		
Pro forma earnings per common share:	2000	1999	1998
	(In thousands, except per share data)		
Net income-available to common stockholders	$58,119	$56,341	$48,592
Earnings per common share-basic	$2.16	$1.95	$1.64
Earnings per common share-diluted	$2.14	$1.93	$1.63

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 2000, 1999 and 1998 was estimated using the following assumptions: weighted dividend growth of 0% (2000), 22.38% (1999) and 21.97% (1998); expected life of 3.11 years (2000) and 10 years (1999 and 1998); weighted expected volatility of 31.74% (2000), 29.46% (1999), and 36.08% (1998), and weighted risk-free interest rate of 5.36% (2000), 6.04% (1999) and 5.10% (1998). The weighted estimated fair value of the options granted was $5.50 (2000), $6.54 (1999) and $10.95 (1998) per option.

Note 7 - Cash and Due from Banks

The Corporation is required by law to maintain minimum average reserve balances. The amount of those reserve average balances was approximately $45,107,600 at December 31, 2000 (1999 - $40,975,700).

Note 8 - Securities Purchased Under Agreements To Resell

At December 31, 2000 and 1999, there were no securities purchased under agreements to resell. The maximum aggregate balance outstanding at any month-end during 2000 was approximately $10,425,000 (1999 - $17,421,000). The average aggregate balance during 2000 was $882,992 (1999 - $1,577,504).

Note 9 - Investment Securities Held For Trading

At December 31, 2000 and 1999, 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 transactions of securities sold not yet purchased 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 gain from the sale of trading securities amounted to $419,367 for the year ended December 31, 2000 (a loss of $7,946 for 1999 and a gain of $3,364,843 for 1998), and were included in earnings as trading income.

Note 10 - Investment Securities Held To Maturity

The amortized cost, gross unrealized gains and losses, approximate market value, weighted average yield and maturities of investment securities held to maturity at December 31, 2000 and 1999 were as follows:

	December 31, 2000					December 31, 1999				
	Amortized cost	Unrealized gains(losses)		Market value	Weighted average yield%	Amortized cost	Unrealized gains(losses)		Market value	Weighted average yield%
	(Dollars in thousands)									
Obligations of U.S. Government Agencies:										
After 1 to 5 years	$ 10,000		$(12)	$ 9,988	7.04					
After 5 to 10 years						$10,000		$ (166)	$9,834	7.04
After 10 years	90,176	$1,340	(5,119)	86,397	7.53	83,756		(9,255)	74,501	7.53
Puerto Rico Government Obligations:										
After 10 years	3,831		(56)	3,775	6.50	3,593	$57		3,650	6.50
Total	$104,007	$1,340	$(5,187)	$100,160	7.44	$97,349	$57	$(9,421)	$87,985	7.44
Mortgage backed securities: Government National Mortgage Association (GNMA) certificates										
After 10 years	$206,989	$1,326		$208,315	6.94	$206,697		$(7,851)	$198,845	6.94

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, weighted average yield and maturities of investment securities held for sale at December 31, 2000 and 1999 were as follows:

	December 31, 2000					December 31, 1999				
	Amortized cost	Unrealized gains	(losses)	Market value	Weighted average yield%	Amortized cost	Unrealized gains	(losses)	Market value	Weighted average yield%
					(Dollars in thousands)					
Obligations of U.S. U.S. Treasury Securities:										
Within 1 year	$ 499	$ 2		$ 501	6.04					
After 1 to 5 years	2,630	33		2,663	6.49					
After 5 to 10 years	39,624		$(718)	38,906	4.89	$39,577		$(4,302)	$35,275	4.90
After 10 years	67,555		(455)	67,100	5.50	67,468		(9,621)	57,847	5.51
Obligations of other U.S. Government Agencies:										
Within 1 year	240,341	46		240,387	6.76	219,065	$53	(58)	219,060	5.68
After 1 to 5 years	31,705	144		31,849	7.86					
After 5 to 10 years	29,988	217		30,205	7.81					
After 10 years	53,593	322	(3,302)	50,613	7.66	27,457		(5,127)	22,330	7.05
Puerto Rico Government Obligations:										
After 1 to 5 years	20,000			20,000	7.41					
After 5 to 10 years	429		(11)	418	6.65					
After 10 years	8,840	39	(254)	8,625	6.51	5,880		(36)	5,844	6.83
Total	$495,204	$803	$(4,740)	$491,267	6.69	$359,447	$53	$(19,144)	$340,356	5.69
Mortgage backed securities:										
Federal Home Loan Mortgage Corporation (FHLMC) certificates:										
After 1 to 5 years	$ 834	$ 6		$ 840	7.02	$ 997		$ (25)	$ 972	6.87
After 5 to 10 years	8,088	27		8,115	6.22	9,905		(255)	9,650	6.23
After 10 years	18,829	282		19,111	7.00	22,872	$11	(155)	22,728	6.38
	27,751	315		28,066	6.77	33,774	11	(435)	33,350	6.35
Government National Mortgage Association (GNMA) certificates:										
After 5 to 10 years	4,484		(81)	4,403	6.22	3,674		(46)	3,628	5.85
After 10 years	1,291,460	593	(13,229)	1,278,824	6.50	1,039,069	1,410	(76,054)	964,425	6.19
	1,295,944	593	(13,310)	1,283,227	6.50	1,042,743	1,410	(76,100)	968,053	6.19
Federal National Mortgage Association (FNMA) certificates:										
After 1 to 5 years	375	2		377	7.29	644		(7)	637	7.29
After 5 to 10 years	125	1		126	6.84	188		(6)	182	6.88
After 10 years	9,402	270	(14)	9,658	8.16	11,109	299	(46)	11,362	8.26
	9,902	273	(14)	10,161	8.11	11,941	299	(59)	12,181	8.19
Mortgage pass through certificates:										
After 10 years	2,286	66		2,352	8.96	2,463	757		3,220	9.09
Real Estate Mortgage Interest Conduit:										
Within 1 year	----------	------	--------	----------		361	12		373	12.52
Total	$1,335,883	$1,247	$(13,324)	$1,323,806	6.52	$1,091,282	$2,489	$(76,594)	$1,017,177	6.23
Other investments:										
Within 1 year	$ 55,559	$ 84	$(10,407)	$ 45,235	3.83	$ 67,359	$1,914		$69,273	6.03
After 1 to 5 years	27,416	295	(105)	27,606	7.97	14,750		$ (88)	14,662	7.76
After 5 to 10 years	10,522	76		10,598	7.21	11,779		(162)	11,617	7.25
After 10 years	3,211		(60)	3,151	6.31	990			990	7.06
Total	$ 96,708	$ 455	$(10,572)	$ 86,590	5.45	$ 94,878	$1,914	$(250)	$96,542	6.46

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, 2000, the net unrealized loss of $19,598,785 (1999 - net unrealized loss of $68,648,959) on securities available for sale, net of the deferred income tax of $6,532,928 (1999 - $22,882,986), was reported in accumulated other comprehensive income. For 2000, the change in the net unrealized holding gain on the available for sale securities amounted to $65,400,232 (1999 - a loss of $103,198,520) before deferred income taxes.

For 2000, proceeds from the sale of securities amounted to $58.5 million (1999 - $9.6 million, 1998 - $302.1 million) resulting in a realized gain of $7.9 million (1999 - $1.4 million, 1998 -$26.8 million). No losses were recognized on those sales.

Note 12 - Federal Home Loan Bank (FHLB) Stock

At December 31, 2000 and 1999, there were investments in FHLB stock with book value of $18,536,500 and $17,826,500, 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:

	Year ended December 31,		
	2000	1999	1998
		(In thousands)	
Mortgage-backed securities:			
Taxable	$ 3,325	$ 4,137	$ 5,230
Exempt	91,416	77,900	63,131
	$94,741	$ 82,037	$68,361
Other investment securities:			
Taxable	$ 1,577	$ 1,528	$ 801
Exempt	38,060	24,758	20,621
	$39,637	$26,286	$21,422

Note 14 - Loans Receivable

The following is a detail of the loan portfolio:

	December 31, 2000	December 31, 1999
	(In thousands)	
Residential real estate loans:		
Secured by first mortgages:		
Conventional	$ 695,344	$ 395,885
Insured by government agencies:		
Federal Housing Administration and Veterans Administration	20,004	6,543
Puerto Rico Housing Bank and Finance Agency	28,037	32,928
Secured by second mortgages	8,964	5,706
	752,349	441,062
Deferred loan and commitment fees - net	(5,557)	(5,293)
Residential real estate loans	746,792	435,769
Construction, land acquisition and land improvements	484,986	288,302
Undisbursed portion of loans in process	(281,031)	(156,234)
Construction loans	203,955	132,068
Commercial loans:		
Commercial loans	947,709	655,417
Commercial mortgage	438,321	371,643
Commercial loans	1,386,030	1,027,060
Finance leases	122,883	85,693
Consumer and other loans:		
Personal	388,696	422,723
Personal lines of credit	12,852	13,029
Auto	530,534	532,242
Boat	33,954	37,018
Credit card	174,797	168,045
Home equity reserve loans	2,134	2,657
Other		106
Unearned interest	(104,429)	(148,836)
Consumer and other loans	1,038,538	1,026,984
Loans receivable	3,498,198	2,707,574
Loans held for sale		37,794
Total loans	3,498,198	2,745,368
Allowance for loan losses	(76,919)	(71,784)
Total loans-net	$3,421,279	$2,673,584

The Corporation's primary lending area is Puerto Rico. At December 31, 2000 and 1999 there is no significant concentration of credit risk in any specific industry on the loan portfolio.

At December 31, 2000, loans in which the accrual of interest income had been discontinued amounted to $67,716,000 (1999 - $53,816,000; 1998 - $56,958,000). If these loans had been accruing interest, the additional interest income realized would have been approximately $5,937,000 (1999 - $4,544,000; 1998 - $4,970,000). 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 mortgage loans held for sale amounted to $37,794,078. All mortgage loans originated and sold during 1999 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. During 2000 loans held for sale were reclassified to loans receivable since the Corporation does not intend to sell those loans.

At December 31, 2000, the Corporation was servicing mortgage loans owned by others aggregating approximately $144,805,000 (1999 - $134,348,000; 1998 - $147,439,000).

Various loans secured by first mortgages were assigned as collateral for term notes, certificates of deposit, advances from the Federal Home Loan Bank, and unused lines of credit. The mortgage loans pledged as collateral amounted to $104,739,882 and $157,612,921 at December 31, 2000 and 1999, respectively. At December 31, 1999 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.

Note 15 - Allowance for Loan Losses

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

	Year ended December 31,		
	2000	1999	1998
		(In thousands)	
Balance at beginning of period	$71,784	$67,854	$57,712
Provision charged to income	45,719	47,961	76,000
Losses charged against the allowance	(51,831)	(53,665)	(72,223)
Recoveries credited to the allowance	9,807	9,048	6,034
Other adjustments	1,440	586	331
Balance at end of period	$76,919	$71,784	$67,854

At December 31, 2000, $13.1 million ($4.4 million at December 31, 1999) in commercial and real estate loans over $1,000,000 was considered impaired with an allowance of $7.8 million ($1.3 million at December 31, 1999). There were no consumer loans over $1,000,000 considered impaired at December 31, 2000 and 1999. The average recorded investment in impaired loans amounted to $8.8 million for 2000 (1999 - $9.4 million). Interest income in the amount of approximately $227,000 was recognized on impaired loans in 2000 (1999 - approximately $428,000; 1998 - approximately $736,000).

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
	(In thousands)
Balance at December 31, 1998	$21,529
New loans	2,106
Payments	(542)
Balance at December 31, 1999	23,093
New loans	279
Payments	(3,198)
Balance at December 31, 2000	$20,174

Note 17 - Premises and Equipment

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

	Useful life in years	December 31, 2000	December 31, 1999
		(In thousands)	
Land		$ 7,378	$ 6,853
Buildings and improvements	10-40	35,038	33,433
Leasehold improvements	1-15	12,344	14,223
Furniture and equipment	3-10	55,654	50,532
		110,414	105,041
Accumulated depreciation		(52,086)	(48,233)
		58,328	56,808
Projects in progress		13,759	5,140
Total premises and equipment - net		$72,087	$61,948

Note 18 - Other Assets

Following is a detail of other assets:

	December 31, 2000	December 31, 1999
	(In thousands)	
Deferred tax asset	$42,651	$54,645
Accounts receivable	9,531	8,203
Prepaid expenses	9,293	9,243
Revenue earning vehicles	6,572	5,680
Other	28,527	17,661
Total	$96,574	$95,432

Note 19 - Deposits and Related Interest

Deposits and related interest consist of the following:

	December 31, 2000	December 31, 1999
	(In thousands)	
Type of account and interest rate at:		
Savings accounts - 2.75% to 4.00%	$ 430,298	$ 447,946
Interest bearing checking accounts - 2.75% to 4.50%	170,631	162,601
Non-interest bearing checking accounts	232,164	211,897
Certificate accounts - 4.15% to 7.60% (1999 - 3.80% to 8.00%)	2,512,891	1,742,978
	$3,345,984	$2,565,422

The weighted average interest rate on total deposits at December 31, 2000 and 1999 was 5.83% and 4.94%, respectively.

At December 31, 2000, the aggregate amount of overdraft in demand deposits that were reclassified as loan amounted to $4,106,412 (1999 - $6,939,685).

The following table presents a summary of certificates of deposits with remaining term of more than one year at December 31, 2000:

	Total
	(In thousands)
Over one year to two years	$ 97,119
Over two years to three years	200,837
Over three years to four years	105,620
Over four years to five years	206,544
Over five years	767,966
Total	$1,378,086

At December 31, 2000 certificates of deposit (CD's) in denominations of $100,000 or higher amounted to $1,995,730,680 (1999 - $1,283,083,091) including brokered certificates of deposit of $1,499,104,222 (1999 - $843,217,222) at a weighted average rate of 6.60% (1999 - 5.84%).

At December 31, 2000, there were no certificates of deposit guaranteed by irrevocable standby letters of credits issued by the Federal Home Loan Bank. At December 31, 1999, certificates of deposit aggregating $49,000,000 were guaranteed by irrevocable standby letters of credit issued by the Federal Home Loan Bank and other banks. At December 31, 1999 certain mortgage loans with a carrying value of $71,165,714 and estimated market value of $58,992,705 and securities with a book value of $5,401,047 and approximate market value of $5,351,690 were pledged to the Federal Home Loan Bank as part of the agreements covering the letters of credit.

At December 31, 2000, deposit accounts issued to government agencies with a carrying value of $101,661,753 (1999 - $62,378,476) were collateralized by securities with a carrying value of $106,917,690 (1999 - $78,782,695) and estimated market value of $104,868,113 (1999 - $75,677,459) and specific mortgage loans with a carrying value of $3,539,882 (1999 - $3,947,207) and estimated market value of $3,882,189 (1999 - $3,758,925).

A table showing interest expense on deposits follows:

	Year ended December 31,		
	2000	1999	1998
		(In thousands)	
Savings	$ 12,792	$12,381	$11,717
Interest bearing checking accounts	5,546	4,931	4,487
Certificates	134,945	73,177	54,214
Total	$153,283	$90,489	$70,418

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, 2000	December 31, 1999
	(In thousands)	
Repurchase agreements, interest ranging from 4.97% to 6.63% (1999 - 4.50% to 6.35%)	$1,851,286	$1,447,732
Accrued interest payable	5,150	4,419
Total	$1,856,436	$1,452,151

Federal funds purchased and repurchase agreements mature as follows:

	December 31, 2000	December 31, 1999
	(In thousands)	
Repurchase agreements:		
One to thirty days	$1,368,944	$1,229,448
Over thirty to ninety days		8,450
Over ninety days	482,342	209,834
Total	$1,851,286	$1,447,732

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, 2000 (In thousands)			
U.S. Treasury Securities and obligations of other U.S. Government Agencies	$ 406,106	$ 395,027	$ 400,253	6.53%
Mortgage backed securities	1,497,102	1,456,259	1,485,816	6.35%
Total	$1,903,208	$1,851,286	$1,886,069	
Accrued interest receivable	$ 4,124			

Underlying securities	Amortized cost of underlying securities	Balance of borrowing	Approximate market value of underlying securities	Weighted average interest rate
	December 31, 1999 (In thousands)			
U.S. Treasury Securities and obligations of other U.S. Government Agencies	$ 325,529	$ 296,720	$ 303,107	5.77%
Mortgage backed securities	1,233,633	1,151,012	1,150,558	6.16%
Total	$1,559,162	$1,447,732	$1,453,665	
Accrued interest receivable	$ 3,153			

The weighted average interest rates of federal funds purchased and repurchase agreements at December 31, 2000 and 1999 was 6.32% and 5.38%, respectively.

At December 31, 2000, 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 2000 was $1,851,285,585 (1999 - $1,631,913,357). The average balance during 2000 was approximately $1,687,880,000 (1999 - $1,441,486,000).

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. During the first quarter of 2000, the Corporation paid off the outstanding balance of these borrowings and canceled the financial arrangement. At December 31, 1999, borrowings through this arrangement amounted to $152,484,084.

The weighted average maturity at December 31, 1999 was 36 days. The weighted average interest rate of these borrowings at December 31, 1999 was 6.20%. The maximum aggregate balance outstanding at any month-end was approximately $152,484,084. The average aggregate balance outstanding during the year was approximately $97,373,301. The aggregate book value of the loans pledged as collateral at December 31, 1999 amounted to $186,417,700.

Note 22 - Advances From The Federal Home Loan Bank (FHLB)

Following is a detail of the advances from the FHLB:

Maturity	Interest rate	December 31, 2000	December 31, 1999
		(In thousands)	
January 2, 2001	6.35%	$ 1,000	
January 5, 2001	6.41%	16,000	
August 16, 2005	6.30%	50,000	
February 3, 2000	5.86%		$20,000
February 28, 2000	6.03%		30,000
		$67,000	$50,000

Advances are received from the FHLB 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, 2000, specific mortgage loans with an estimated market value of $76,485,860 (1999 - $56,303,500) were pledged to the FHLB as part of the Collateral Agreement. The carrying value of such loans at December 31, 2000 amounted to $73,700,000 (1999 - $55,000,000).

Note 23 - Notes Payable

Following is a detail of notes payable outstanding:

Issue date (footnote)	Maturity	December 31, 2000 Interest rate	December 31, 2000	December 31, 1999
			(In thousands)	
September 12, 1996 (b)	2001	6.12%	$10,000	$10,000
September 20, 1996 (b)	2001	6.23%	20,500	20,500
September 20, 1996 (a)	2001	6.10%	25,000	25,000
Total			$55,500	$55,500

Footnotes:

a. These notes have the benefit of a firm commitment issued by the FHLB 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 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.

At December 31, 2000, specific mortgage loans with a book value of $27,500,000 (1999 - $27,500,000) and an estimated market value of $29,683,500 (1999 - $28,459,750) were pledged to the FHLB 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, 2000 amounted to $28,354,135 (1999 - $30,152,980) and $28,254,750 (1999 - $29,793,954), respectively.

Note 24 - Subordinated Notes

On December 20, 1995, the Corporation 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, 2000 the outstanding balance net of the unamortized discount and notes repurchased was $90,548,314 (1999 - $93,594,080). Interest on the notes is payable semiannually and at maturity. The notes represent unsecured obligations of the Corporation 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, 2000, the Corporation has transferred to capital reserves from the retained earnings account $50,000,000, 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, 2000, the Corporation's total unused lines of credit with these banks amounted to approximately $133,500,000 (1999 - $123,500,000). At December 31, 2000, the Corporation has an available line of credit with the FHLB guaranteed with excess collateral, in the amount of $66,841,562 (1999 - $2,812,126).

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 contributes 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 $699,060, $625,375 and $575,000 during 2000, 1999 and 1998, respectively, to the Plan.

Note 27 - Other Expenses
A detail of other expenses follows:

	Year ended December 31,		
	2000	1999	1998
		(In thousands)	
Professional and service fees	$ 8,740	$ 6,672	$ 5,820
Advertising and business promotion	8,468	5,896	5,922
Communications	5,573	4,667	4,330
Revenue earning equipment	1,525	1,479	1,226
Supplies and printing	1,214	1,361	1,314
Other	7,423	5,426	4,534
Total	$32,943	$25,501	$23,146

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:

	Year ended December 31, 2000	1999	1998
	(In thousands)		
Current	$19,117	$13,991	$17,845
Deferred	(4,356)	(6,703)	(13,047)
Total	$14,761	$ 7,288	$ 4,798

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:

	Year ended December 31, 2000 Amount	% of pre-tax income	1999 Amount	% of pre-tax income	1998 Amount	% of pre-tax income
	(Dollars in thousands)					
Computed income tax at statutory rate	$31,994	39	$27,052	39	$22,078	39
Benefit of net exempt income	(12,707)	(15)	(13,959)	(20)	(22,078)	(39)
Other-net	(4,526)	(6)	(5,805)	(8)	4,798	8
Total income tax provision	$14,761	18	$ 7,288	11	$ 4,798	8

The components of the deferred tax asset and liability were as follows:

	December 31, 2000	1999
	(In thousands)	
Deferred tax asset:		
Allowance for loan losses	$29,998	$27,995
Unrealized loss on available for sale securities	6,533	22,883
Other	6,445	4,114
Deferred tax asset	$42,976	$54,992
Deferred tax liability	$ (325)	$ (347)

Due to the above temporary differences, a net deferred tax asset resulted amounting to $42.7 million at December 31, 2000 (1999 - $54.6 million). The primary timing difference was the effect of future deductions under the charge-offs method for deducting loan losses. No valuation allowance was considered necessary.

The tax effect of the unrealized holding gain or loss for securities available for sale was computed based on a 25% capital gain tax rate, and is included in accumulated other comprehensive income as a part of stockholders' equity.

Note 29 - Commitments

At December 31, 2000 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, 2000, the obligation under various leases follows:

Year	Amount (In thousands)
2001	$ 4,322,520
2002	3,840,526
2003	2,832,795
2004	2,237,197
2005	1,176,828
2006 and later years	4,472,947
Total	$18,882,813

Rental expense included in occupancy and equipment expense was $4,042,069 in 2000 (1999 - $3,390,786; 1998 - $3,158,156).

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 estimate of the underlying value of the Corporation. A summary table of estimated fair values and carrying values of financial instruments at December 31, 2000 and 1999 follows:

	December 31,			
	2000		1999	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
	(In thousands)			
Assets:				
Money market instruments	$ 2,020	$ 2,020	$ 35,217	$ 35,217
Investment securities	2,210,138	2,212,659	1,740,905	1,758,120
FHLB stock	18,537	18,537	17,827	17,827
Loans receivable, including loans held for sale - net	3,396,324	3,421,279	2,753,597	2,673,584
Liabilities:				
Deposits	3,351,069	3,345,984	2,554,429	2,565,422
Federal funds, securities sold under agreements to repurchase and other short-term borrowings	1,857,651	1,856,436	1,604,635	1,604,635
Advances from FHLB	68,607	67,000	50,000	50,000
Notes payable and subordinated notes	144,853	146,048	145,994	149,094

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, including loans held for sale - net

The fair value of all loans was estimated by the discounted present values of 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 allowance 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 similar new loans.

Deposits

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

The fair values of fixed rate deposits with stated maturities, are based on the present 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 LIBOR 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.

All swaps currently held by the Corporation form part of structured broker CD's. In these instruments a fixed rate CD is matched with a swap of the same rate and maturity, thereby converting the fixed rate broker CD to a floating rate instrument which reprices quarterly based on a fixed differential to three month LIBOR. For purposes of fair value analysis, these structured broker CD's are therefore valued at book.

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

Federal funds purchased, repurchase agreements and other short-term borrowings are mostly borrowed funds, which reprice at least quarterly, and their outstanding balances are estimated to be their fair values. Where longer commitments are involved, fair values are estimated in the same way as fixed terms deposits.

Advances from FHLB

The fair value of advances approximates their book value due to its short time to maturity.

Notes payable and subordinated notes

The fair value of notes payable and subordinated notes 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 LIBOR 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:

	Year ended December 31,		
	2000	1999	1998
		(In thousands)	
Cash paid for:			
Interest	$260,937	$173,273	$153,645
Income tax	30,477	6,271	1,494
Non cash investing and financing activities:			
Additions to other real estate owned	3,121	639	2,975

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:

	December 31,	
	2000	1999
Financial instruments whose contract (In thousands) amounts represent credit risk:		
Commitments to extend credit:		
To originate loans	$281,030	$465,902
Unused credit card lines	267,104	253,463
Unused personal lines of credit	14,467	10,362
Commercial lines of credit	331,785	244,135
Commercial letters of credit	12,387	12,345
Standby letters of credit	22,914	13,754

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, 2000 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:

	Notional amount (In thousands)
Pay-fixed swaps:	
Balance at December 31, 1998 and 1999	$ 50,000
Expired contracts	50,000
Balance at December 31, 2000	$ 0
Receive-fixed swaps:	
Balance at December 31, 1998	$ 40,000
Expired contracts	40,000
New contracts	185,000
Balance at December 31, 1999	185,000
Expired contracts	25,000
New contracts	991,000
Balance at December 31, 2000	$1,151,000

At December 31, 2000, there are no pay-fixed swaps outstanding agreements. Pay-fixed swaps at December 31, 1999 had a fixed weighted average rate payment of 6.48% and a

floating weighted average rate receiving of 6.07%. Receive-fixed swaps at December 31, 2000, have a floating weighted average rate payment of 6.64% (1999
- 6.09%) and a fixed weighted average rate receiving of 7.54% (1999 - 7.05%). Floating rates are based on a 90% 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, 2000, the Corporation had total net receivable of $5,527,697 (1999 - $1,286,445) 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, 2000 was approximately $15.8 million and $15.9 million, respectively (1999 - $6.6 million and $6.7 million, respectively). The period to maturity of the swaps at December 31, 2000 ranged from one year through fifteen years (1999 - from five months through fifteen years).

At December 31, 2000, the estimated fair value to liquidate the Corporation's interest rate swaps was approximately $49,621,508 (1999 - $192,000).

The adoption of SFAS No. 133, effective January 1, 2001 as discussed in Note 2, will result in a grossing up of the statement of financial condition to reflect the swap and the certificates of deposit at fair value. Since the swaps are use to convert the cost of the certificates of deposit from fixed to variable, with a hedge relationship, which is estimated to be 100 percent effective, there will be no impact on the statement of income nor on comprehensive income, considering that the gain or loss on the swap agreements will completely offset the loss or gain on the certificates of deposit. On January 1, 2001, a swap asset of $49.6 million will be recognized with a corresponding increase in certificates of deposit by the same amount.

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 following table indicates the agreements outstanding at December 31, 2000 (dollars in thousands):

Cap agreements notional amount	Cap Rate	Current 90 day LIBOR	Maturity
$100,000	7.50%	6.40%	August 17, 2002
100,000	7.50%	6.40%	August 17, 2002
200,000	7.25%	6.40%	August 17, 2002
200,000	7.00%	6.40%	August 17, 2002

Until December 31, 2000 the Corporation followed the provisions of SFAS No. 80 to account for its caps. The premium is amortized as an adjustment to interest expense on borrowings. Under SFAS No. 80, the amortization of premium in 2000, 1999, and 1998 amounted to approximately $352,000, $252,000, and $147,000, respectively.

In accordance with SFAS No. 133, Management designated these caps as cash-flow hedges. For a qualifying cash flow hedge, an interest rate cap will be carried on the statement of financial condition at fair value with the time value change reflected through the current statement of income. Any intrinsic value will be reflected through comprehensive income and will be reflected in future statements of income when payments are received from the counter party. On January 1, 2001 a loss of approximately $1.3 million will be recognized in the statement of income as a cumulative effect of the adoption of SFAS No. 133, as a result of unamortized premium paid for caps of $1.5 million less an estimated fair market value of $200,000.

Note 33 - Segment 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 charged or credited by Investment and Treasury is based on market rates.

The following table presents information about the reportable segments:

	Retail	Treasury and Investments	Commercial Corporate	Total
		(In thousands)		
For the year ended December 31, 2000:				
Interest income	$222,950	$134,328	$106,110	$463,388
Net (charge) credit for transfer of funds	(12,582)	85,013	(72,431)	
Interest expense	(74,093)	(198,522)		(272,615)
Net interest income	136,275	20,819	33,679	190,773
Provision for loan losses	(28,084)		(17,635)	(45,719)
Segment income	108,191	20,819	16,044	145,054
Average earning assets	$1,893,699	$1,985,580	$1,110,608	$4,989,887
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

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

	Year ended December 31,		
	2000	1999	1998
	(In thousands)		
Interest income:			
Total interest income for segments	$463,388	$369,064	$320,535
Interest income credited to expense accounts	______	______	763
Total consolidated interest income	$463,388	$369,064	$321,298
Net income:			
Total income for segments	$145,054	$137,773	$89,405
Other income	50,032	32,862	58,240
Operating expenses	(113,050)	(101,272)	(91,035)
Income taxes	(14,761)	(7,288)	(4,798)
Total consolidated net income	$ 67,275	$ 62,075	$51,812
Average assets:			
Total average earning assets for segments	$4,989,887	$4,004,599	$3,345,206
Average non earning assets	249,489	168,182	148,331
Total consolidated average assets	$5,239,376	$4,172,781	$3,493,537

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 2000 and 1999 quarters is presented below. These results are unaudited. In the opinion of Management, all adjustments necessary for a fair presentation have been included:

	2000			
	March 31	June 30	Sept. 30	Dec. 31
	(In thousands, except for per share results)			
Interest income	$105,181	$112,447	$120,384	$125,375
Net interest income	48,320	48,337	47,038	47,078
Provision for loan losses	12,020	11,158	11,566	10,975
Net income	16,351	16,477	16,699	17,748
Earnings per common share-basic	$0.53	$0.55	$0.56	$0.57
Earnings per common share-diluted	$0.53	$0.55	$0.56	$0.57

	1999			
	March 31	June 30	Sept. 30	Dec. 31
	(In thousands, except for per share results)			
Interest income	$87,143	$87,256	$94,475	$100,190
Net interest income	44,597	46,341	46,789	48,006
Provision for loan losses	13,800	12,950	11,017	10,195
Net income	14,141	15,394	16,208	16,332
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

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, 2000 and 1999 and the results of its operations and its cash flows for the years ended on December 31, 2000 and 1999 and the period from October 1st, 1998 through December 31, 1998.

Statements of Financial Condition

	December 31, 2000	December 31, 1999
	(In thousands)	
Assets:		
Cash and due from depository institutions	$ 17,026	$ 13,160
Money market instruments	300	1,778
Investment securities available for sale, at market value:		
United States Government obligations	18,951	24,890
Other investments	27,347	21,292
Total investment securities available for sale	46,298	46,182
Investment in FirstBank Puerto Rico, at equity	368,338	235,637
Other assets	2,856	348
Total assets	$434,818	$297,105
Liabilities and Stockholders' Equity:		
Other borrowings		$ 865
Accounts payable and other liabilities	$ 357	1,338
Total liabilities	357	2,203
Stockholders' equity	434,461	294,902
Contingencies and commitments		
Total liabilities and stockholders' equity	$434,818	$297,105

Statements of Income

	Year ended December 31, 2000	1999	Period from October 1, 1998 through December 31, 1998
		(In thousands)	
Income:			
Interest income on investment securities	$ 776	$ 1,537	
Interest income on other investments	289	1,141	
Dividend from subsidiary	24,000	10,000	$10,360
Other income	8,251	61	
	33,316	12,739	10,360
Expenses:			
Interest expense	25		
Other operating expenses	487	243	15
	512	243	15
Income before income taxes and equity in undistributed earnings of subsidiary	32,804	12,496	10,345
Income taxes	209	374	
Equity in undistributed earnings of subsidiary	34,681	49,953	3,342
Net income	67,276	62,075	13,687
Other comprehensive income (loss), net of tax	49,050	(77,399)	8,750
Comprehensive income (loss)	$116,326	$(15,324)	$22,437

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

Statement of Cash Flows

	Year ended December 31, 2000	1999	Period from October 1, 1998 through December 31, 1998
		(In thousands)	
Cash flows from operating activities:			
Net income	$67,276	$62,075	$13,686
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiary	(34,403)	(49,953)	(3,341)
Net gain on sale of investments securities	(7,134)		
Net decrease (increase) in other assets	120	(130)	(219)
Net (decrease) increase in other liabilities	(527)	883	
Total adjustments	(41,944)	(49,200)	(3,560)
Net cash provided by operating activities	25,332	12,875	10,126
Cash flows from investing activities:			
Capital contribution to subsidiary	(40,000)		
Purchases of securities available for sale	(5,311)	(44,361)	
Net cash used in investing activities	(45,311)	(44,361)	
Cash flows from financing activities:			
Net (decrease) increase in other borrowings	(865)	865	
Proceeds from issuance on preferred stock	72,438	86,850	
Exercise of stock options	94	176	
Cash dividends paid	(19,212)	(14,658)	(2,213)
Treasury stock acquired	(30,087)	(32,511)	(2,211)
Net cash provided by financing activities	22,368	40,722	(4,424)
Net increase in cash	2,389	9,236	5,702
Cash and cash equivalents at the beginning of period	14,937	5,702	
Cash and cash equivalents at the end of period	$17,326	$14,938	$5,702
Cash and cash equivalents include:			
Cash and due from banks	$17,026	$13,160	$5,702
Money market instruments	300	1,778	
	$17,326	$14,938	$5,702

Stockholders' Information

Independent Certified Public Accountants PricewaterhouseCoopers LLP

Annual Meeting:
The annual meeting of stockholders will be held on April 26, 2001, 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.firstbankpr.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 10-K 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 2000
PERIOD END	DEC 31 2000
CASH	63,372,591
INT BEARING DEPOSITS	2,020,348
FED FUNDS SOLD	0
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	1,901,663,174
INVESTMENTS CARRYING	310,995,502
INVESTMENTS MARKET	308,474,335
LOANS	3,498,198,207
ALLOWANCE	(76,918,973)
TOTAL ASSETS	5,919,656,581
DEPOSITS	3,345,984,396
SHORT TERM	1,923,436,127
LIABILITIES OTHER	69,727,195
LONG TERM	146,048,314
PREFERRED MANDATORY	0
PREFERRED	165,000,000
COMMON	26,424,152
OTHER SE	243,036,397
TOTAL LIABILITIES AND EQUITY	5,919,656,581
INTEREST LOAN	329,007,974
INTEREST INVEST	133,130,751
INTEREST OTHER	1,248,755
INTEREST TOTAL	463,387,480
INTEREST DEPOSIT	153,283,358
INTEREST EXPENSE	272,614,625
INTEREST INCOME NET	190,772,855
LOAN LOSSES	45,718,500
SECURITIES GAINS	7,850,472
EXPENSE OTHER	113,049,504
INCOME PRETAX	82,036,911
INCOME PRE EXTRAORDINARY	82,036,911
EXTRAORDINARY	0
CHANGES	0
NET INCOME	67,275,609
EPS BASIC	2.22
EPS DILUTED	2.21
YIELD ACTUAL	3.91
LOANS NON	67,716,000
LOANS PAST	16,358,000
LOANS TROUBLED	0
LOANS PROBLEM	0
ALLOWANCE OPEN	71,784,237
CHARGE OFFS	51,831,324
RECOVERIES	11,247,560
ALLOWANCE CLOSE	76,918,973
ALLOWANCE DOMESTIC	76,918,973
ALLOWANCE FOREIGN	0
ALLOWANCE UNALLOCATED	0

End of Filing