Financial Results

Fourth Quarter &

Fiscal Year 2014

1 First BanCorp

Forward-Looking Statements

This presentation contains "forward-looking statements" concerning First BanCorp's (the "Corporation") future economic performance. The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "expect," "anticipate," "look forward," "should," "believes" and similar expressions are meant to identify "forward-looking statements" within the meaning of Section 27A of the Private Securities Litigation Reform Act of 1995, and are subject to the safe harbor created by such section. The Corporation wishes to caution readers not to place undue reliance on any such "forward-looking statements," which speak only as of the date made, and to advise readers that various factors, including, but not limited to, uncertainty about whether the Corporation and FirstBank Puerto Rico ("FirstBank" or "the Bank") will be able to fully comply with the written agreement dated June 3, 2010 that the Corporation entered into with the Federal Reserve Bank of New York (the "FED") and the order dated June 2, 2010 (the "Order")that FirstBank entered into with the FDIC and the Office of the Commissioner of Financial Institutions of Puerto Rico that, among other things, require FirstBank to maintain certain capital levels and reduce its special mention, classified, delinquent and non-performing assets; the risk of being subject to possible additional regulatory actions; uncertainty as to the availability of certain funding sources, such as retail brokered CDs; the Corporation's reliance on brokered CDs and its ability to obtain, on a periodic basis, approval from the FDIC to issue brokered CDs to fund operations and provide liquidity in accordance with the terms of the Order; the risk of not being able to fulfill the Corporation's cash obligations or resume paying dividends to the Corporation's stockholders in the future due to the Corporation's inability to receive approval from the FED to receive dividends from FirstBank or FirstBank's failure to generate sufficient cash flow to make a dividend payment to the Corporation; the strength or weakness of the real estate markets and of the consumer and commercial credit sectors and their impact on the credit quality of the Corporation's loans and other assets, including the Corporation's construction and commercial real estate loan portfolios, which have contributed and may continue to contribute to, among other things, the high levels of non-performing assets, charge-offs and the provision expense and may subject the Corporation to further risk from loan defaults and foreclosures; adverse changes in general economic conditions in the United States and in Puerto Rico, including the interest rate scenario, market liquidity, housing absorption rates, real estate prices and disruptions in the U.S. capital markets, which may reduce interest margins, impact funding sources and affect demand for all of the Corporation's products and services and the value of the Corporation's assets; an adverse change in the Corporation's ability to attract new clients and retain existing ones; a decrease in demand for the Corporation's products and services and lower revenues and earnings because of the continued recession in Puerto Rico and the current fiscal problems and budget deficit of the Puerto Rico government; uncertainty about regulatory and legislative changes for financial services companies in Puerto Rico, the United States and the U.S. and British Virgin Islands, which could affect the Corporation's financial performance and could cause the Corporation's actual results for future periods to differ materially from prior results and anticipated or projected results; uncertainty about the effectiveness of the various actions undertaken to stimulate the United States economy and stabilize the United States' financial markets, and the impact such actions may have on the Corporation's business, financial condition and results of operations; changes in the fiscal and monetary policies and regulations of the federal government, including those determined by the Federal Reserve System, the FDIC, government-sponsored housing agencies and regulators in Puerto Rico and the U.S. and British Virgin Islands; the risk of possible failure or circumvention of controls and procedures and the risk that the Corporation's risk management policies may not be adequate; the risk that the FDIC may further increase the deposit insurance premium and/or require special assessments to replenish its insurance fund, causing an additional increase in the Corporation's non-interest expense; risks of not being able to recover the assets pledged to Lehman Brothers Special Financing, Inc.; the impact on the Corporation's results of operations and financial condition associated with acquisitions and dispositions; a need to recognize additional impairments on financial instruments or goodwill relating to acquisitions; risks that downgrades in the credit ratings of the Corporation's long-term senior debt will adversely affect the Corporation's ability to access necessary external funds; the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act on the Corporation's businesses, business practices and cost of operations; and general competitive factors and industry consolidation. The Corporation does not undertake, and specifically disclaims any obligation, to update any "forward-looking statements" to reflect occurrences or unanticipated events or circumstances after the date of such statements except as required by the federal securities laws. Investors should refer to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2013 for a discussion of such factors and certain risks and uncertainties to which the Corporation is subject.

Agenda

- Fourth Quarter & Fiscal Year 2014 Highlights:
  Aurelio Alemán, President & Chief Executive Officer

- Fourth Quarter 2014 Results of Operations:
  Orlando Berges, Executive Vice President & Chief Financial Officer

- Questions & Answers

FOURTH QUARTER & FISCAL YEAR 2014

Highlights

1 First BanCorp

Fiscal Year 2014: Highlights

Effectively executing strategic plan as we continue to strengthen our core franchise across our three geographies and further de-risk the balance sheet

Profitability: ***Achieved our most profitable year since return to profitability…***

- FY 2014 net income $87.8 million, or $0.42 share, compared to adjusted 2013 net income of $45.4 million;
- Posted a strong pre-tax pre-provision income for 2014 of $206 million compared to $184 million in 2013;
- Prudently managed expense base reducing non-interest expense by $24.4 million (excluding impact of 2013 bulk sales); and
- Re-aligned branch network for optimal efficiency and made significant investments in a new technology platform, new products and talent management.

Core Deposits: ***Continued building product capabilities and deepening relationships…***

- According to recent study(1) bank customers ranked FirstBank highest for "Likelihood to Recommend" among PR banks;
- FirstBank also ranked highest among PR banks(2) for "Offering attractive products and services"
- Increased deposits net of brokered and government by $164 million, or 3%, during 2014; and
- Reduced reliance on brokered CDs by $255 million compared to FY 2013.

Loan Originations: ***Key strength of the franchise…***

- $3.5 billion of originations for 2014 at healthy levels as we selectively pursue loans in a challenging market and leverage on our improved franchise in Florida;
- Purchased two residential portfolios from a competitor during 2014; and
- Continue to build Commercial, Mortgage and Consumer books across our markets.

Asset Quality: ***Remains our top priority…***

- Stabilized NPA migration, NPAs relatively flat, down $8 million compared to FYE 2013;
- NPAs are in a much better disposition state - commercial NPLs net carrying amount of 58%; and
- Continue to focus on options to accelerate disposition of NPAs.

Capital Position: ***Continues to grow stronger…***

- Strong capital position allowing us to continue to address our legacy asset issues and growth opportunities.
- U.S. Treasury sold 4.4 million shares during 2014 reducing ownership stake to 7.2% and continues selling efforts; and
- TBV/Share grew to $6.02 from $5.30 in 2013.

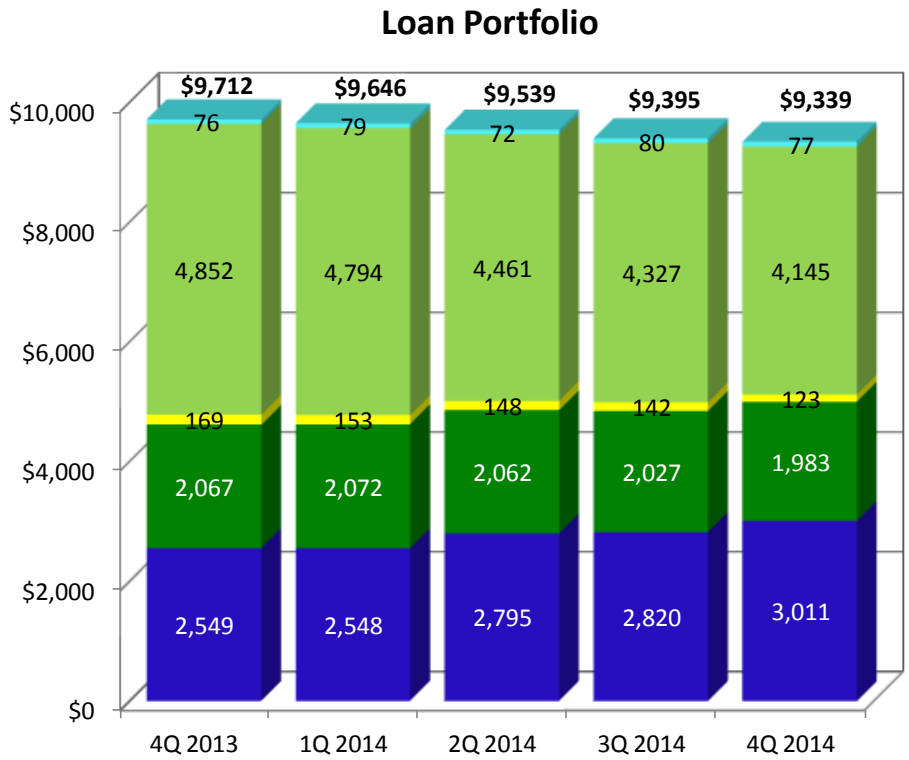
(1) Source: Ipsos Advertising Tracking Study 2nd Wave Oct-Nov 2014
(2) Source: Financial Behavior of Individuals: Puerto Rico Gaither / Inmark

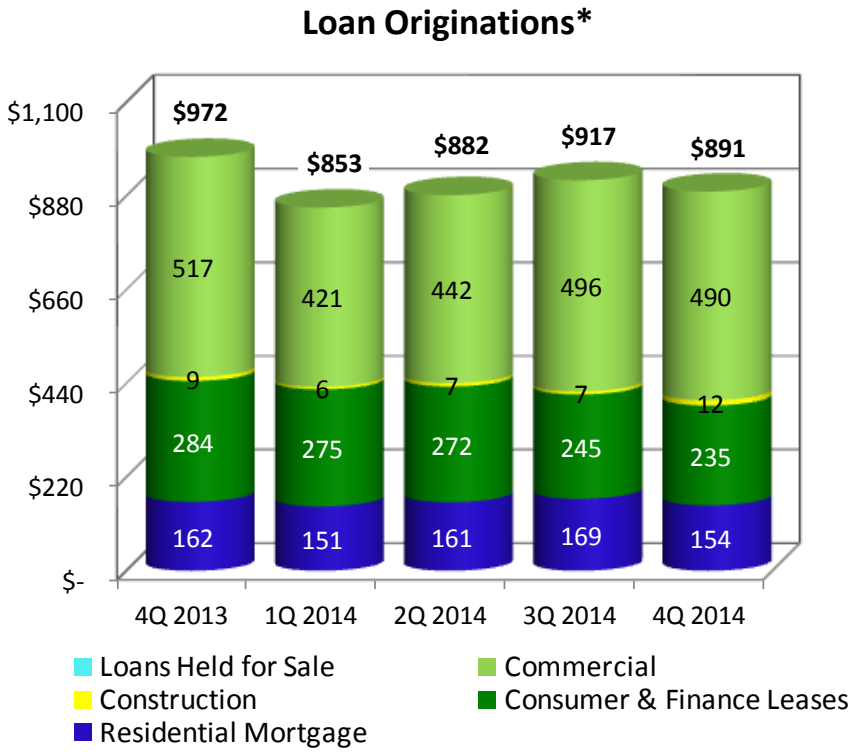
4Q14 Highlights: Highest Net Income Quarter Since Return to Profitability

Profitability	• Net income of $26.3 million, or $0.12 per diluted share, up 13% compared to $23.2 million in 3Q 2014. • During 4Q 2014 Net interest margin decreased by 3 basis points to 4.09%. • Pre-tax, pre-provision income of $49.6 million compared to $50.8 million in 3Q 2014.
Asset Quality	• Total NPAs decreased by $27.7 million compared to 3Q 2014. No large nonperforming loan sales were completed during the quarter. • Inflows to nonperforming loans decreased by $16.9 million or 21% compared to 3Q 2014. • Provision for loan and lease losses of $23.9 million compared to $27.0 million in 3Q 2014 a $3.1 million decline. • Net charge-offs of $26.9 million declined from $42.7 million in 3Q 2014, the decrease was primarily reflected in the commercial and industrial loan portfolio.
Core Deposits	• Deposits, net of government and brokered, increased by $25.5 million in 4Q 2014. • Government deposits decreased $68.0 million in 4Q 2014. • Brokered certificates of deposit (CDs) decreased by $176.7 million in 4Q 2014.
Capital	• 4Q 2014 Capital position was further strengthened: – Risk Based Capital Ratio 19.2% compared to 18.6% in 3Q 2014; – Tier 1 Ratio 17.9% compared to 17.3% in 3Q 2014; and – Leverage Ratio 12.5% compared to 12.3% in 3Q 2014. • Book value per common share of $6.25 compared to $6.05 in 3Q 2014. • Tangible book value per common share of $6.02 compared to $5.81 in 3Q 2014. • Deferred Tax Asset valuation allowance of $516 million.

Fourth Quarter 2014 Highlights: LOAN PORTFOLIO

($ in millions)





Despite softening in our market, we continue selectively pursuing high quality loans:

- ✓ Increase in residential mortgages through pool purchased from competitor.
- ✓ Reduction in the commercial book includes the pay-off of two commercial loans and the sale of loan participations as part of our de-risking strategies.
- ✓ Focus on growth opportunities within our markets.

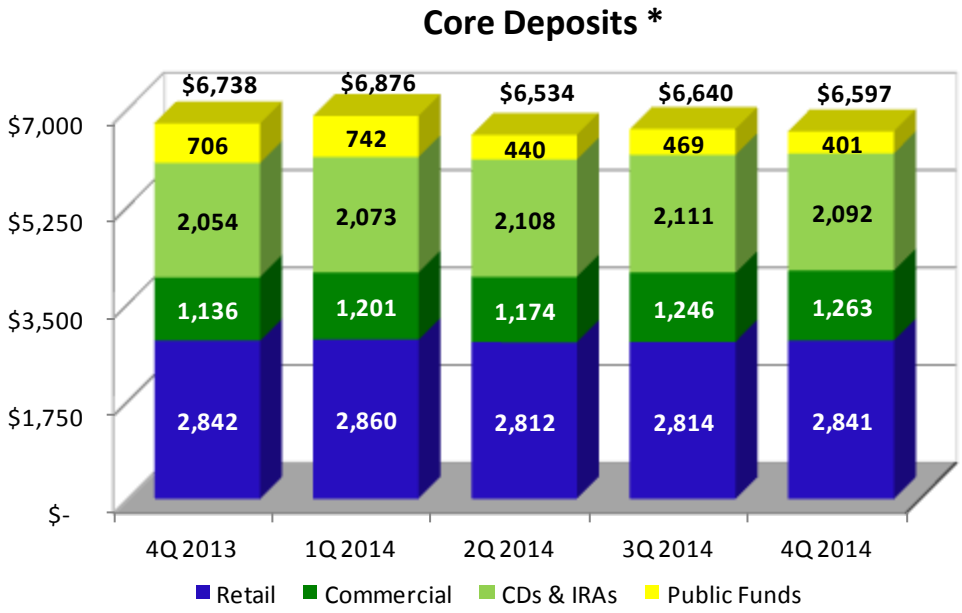
Origination and renewal activity at $891 million for 4Q 2014 at healthy levels compared to prior quarters:

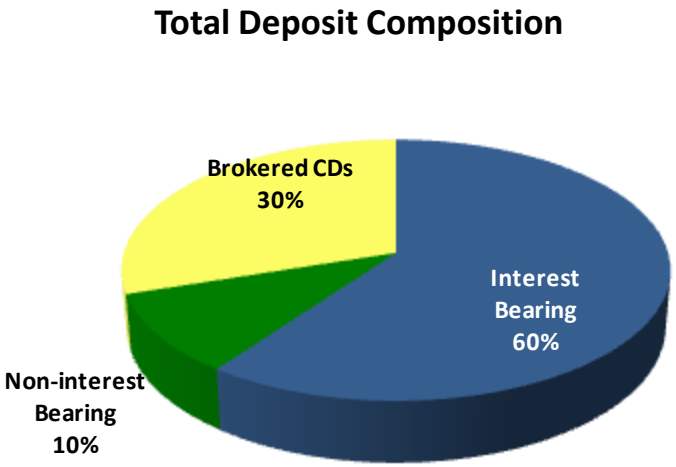
- Softening consumer demand persists in our main market.
- The FL market produced approximately $85 million in commercial origination volume in 4Q compared to $71 million in 3Q.

* Originations including refinancings and draws from existing revolving and non-revolving commitments

Fourth Quarter 2014 Highlights: DEPOSIT MIX

($ in millions)





- Non-brokered deposits, excluding government deposits, increased $25.5 million.
- The cost of deposits net of brokered declined to 0.70%.
- Continue to reduce reliance on brokered deposits:
  - 30% of deposits are brokered CDs, a decline of $176.7 million compared to 3Q 2014.

* Core deposits are total deposits excluding brokered CDs.

Fourth Quarter Highlights: PR GOVERNMENT EXPOSURE

($ in millions)

- Total asset exposure to the Puerto Rico Government was $400 million of which $369 million was outstanding as of December 31, 2014, down $8 million compared to 3Q 2014 and over $100 million compared to $470 million 4Q 2013.
- In addition, there is $133 million of indirect exposure to the Tourism Development Fund supporting hotel projects down from $200 million in 3Q 2014.
- Total Government Deposits as of December 31, 2014 were $227 million.
  - Time deposits declined $3.4 million compared to 3Q 2014.
  - Transaction accounts decreased $20.0 million compared to 3Q 2014.

Government Unit	Source of Repayment		Total Outstanding
Investment Portfolio			$ 61.2
Central Government:			
	Commonwealth Appropriations	7.1	
	Federal Funds	6.1	
Total Central Government (2 Loans)			13.2
Public Corporations:			
	Operating Revenues	89.5	
	Rental Income	3.9	
Total Public Corporations (3 Loans)			93.4
Municipalities (10 Loans)	Property Tax Revenues		201.4
Total Direct Government Exposure			**$ 369.2**

Government Unit	Time Deposits	Transaction Accounts	Total
Federal Funds	$ -	$ -	$ -
Municipalities	17.7	104.7	122.4
Public Agencies	1.7	101.9	103.6
Public Corporations	-	1.4	1.4
Total Deposits	**$ 19.3**	**$ 208.1**	**$ 227.4**

FOURTH QUARTER 2014

Results of Operations

1 First BanCorp

Results of Operations: FOURTH QUARTER 2014 FINANCIAL HIGHLIGHTS

($ in thousands, except per share data)

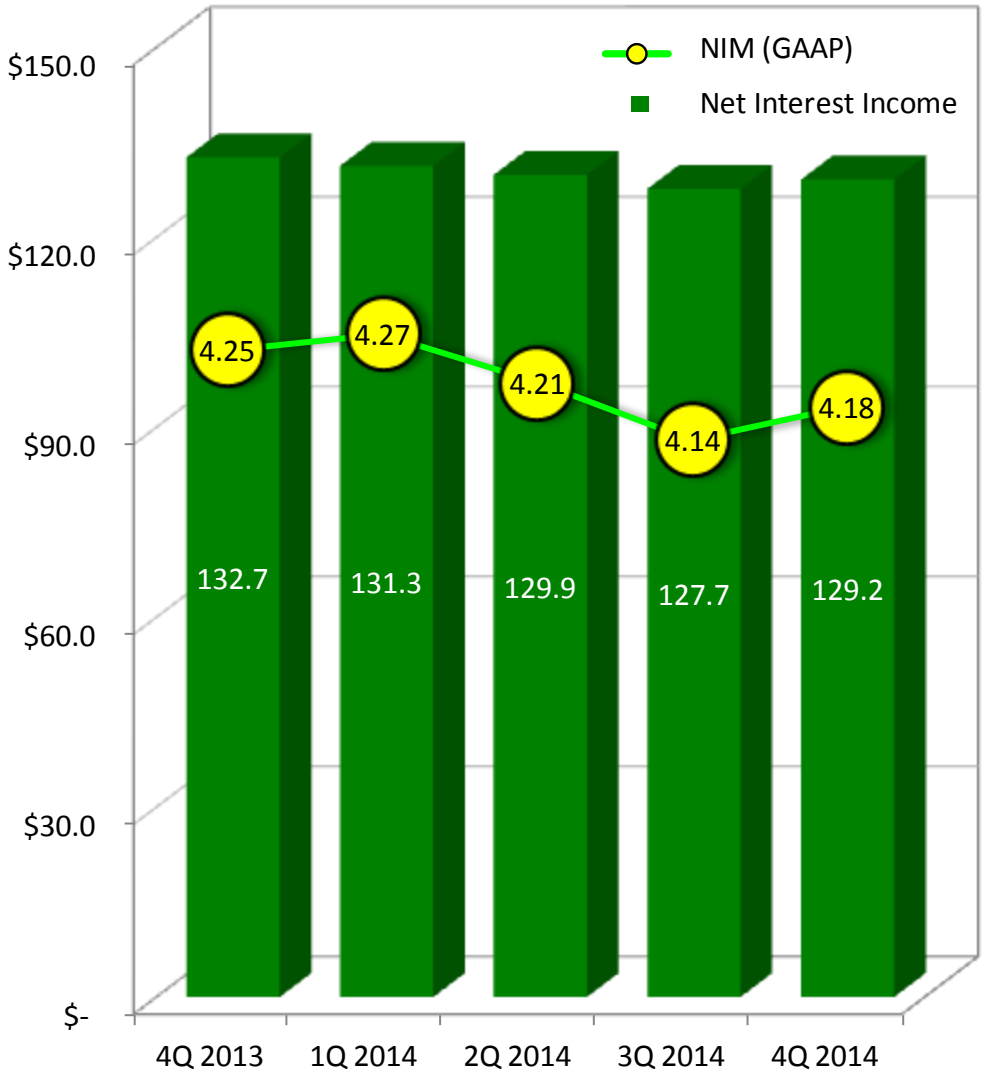
	4Q 2014	3Q 2014	Variance	4Q 2013
Interest income	$ 158,293	$ 156,662	$ 1,631	$ 162,690
Interest expense	29,141	28,968	173	30,031
Net interest income	129,152	127,694	1,458	132,659
Provision for loan and lease losses	23,872	26,999	(3,128)	22,969
Non-interest income	17,893	16,174	1,719	18,378
Equity in losses of unconsolidated entities	-	-	-	(5,893)
Total non-interest income	17,893	16,174	1,719	12,485
Personnel expense	33,854	33,877	(23)	31,428
Occupancy and equipment expense	14,763	14,727	37	15,684
Insurance and supervisory fees	8,927	9,493	(566)	11,452
REO expense	3,655	4,326	(671)	13,321
Other operating expenses	33,583	31,181	2,402	34,656
Total non-interest expense	94,782	93,604	1,178	106,541
Pre-tax income (loss)	28,391	23,265	5,126	15,634
Income tax expense	2,115	64	2,051	845
Net income (loss)	$ 26,275	$ 23,201	$ 3,074	$ 14,789

Select Financial Information				
Adjusted Pre-tax, pre-provision income	$ 49,624	$ 50,750	$ (1,125)	$ 47,589
Fully diluted EPS	$ 0.12	$ 0.11	$ 0.01	$ 0.07
Book value per share	$ 6.25	$ 6.05	$ 0.20	$ 5.57
Tangible book value per share	$ 6.02	$ 5.81	$ 0.21	$ 5.30
Common stock price	$ 5.87	$ 4.75	$ 1.12	$ 6.19
Net Interest Margin (GAAP)	4.18%	4.14%	0.04%	4.25%
Efficiency ratio	64.5%	65.1%	(0.6%)	73.4%

Results of Operations: NET INTEREST INCOME

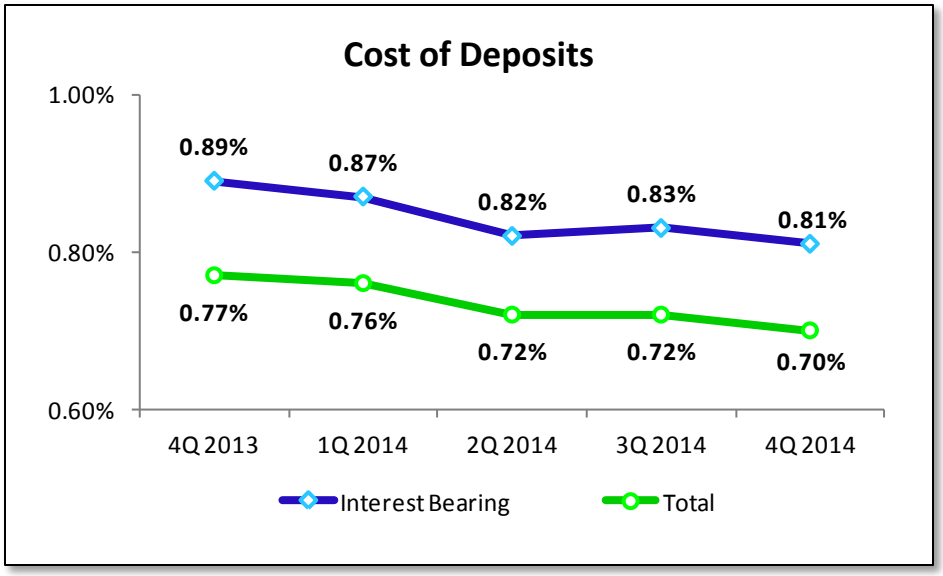
($ in millions)

- NIM increased 4 basis points compared to 3Q 14. Net interest income increased $1.5 million in the fourth quarter.
- Adjusted net interest income, excluding fair value adjustments on derivative instruments of $0.3 million and a $2.5 million prepayment penalty on a commercial mortgage paid-off in the fourth quarter, amounted to $126.3 million, a decrease of $0.9 million compared to 3Q 2014.
- The related adjusted NIM decreased to 4.09% for 4Q 2014 from 4.12% 3Q 2014 The decline in 4Q was due to:
  - A $2.5 million decrease in interest income on commercial loans related to a decline in average volume of $147.6 million and a $1.0 million decline in interest on consumer due to a decline of $37.8 million in average volume primarily associated with auto loans.
- This decline was partially offset by a $2.9 million increase in interest income on residential mortgages primarily due to the purchase of $192.6 million performing residential mortgage portfolio from Doral Bank early in the fourth quarter.



Results of Operations: Cost of Funds

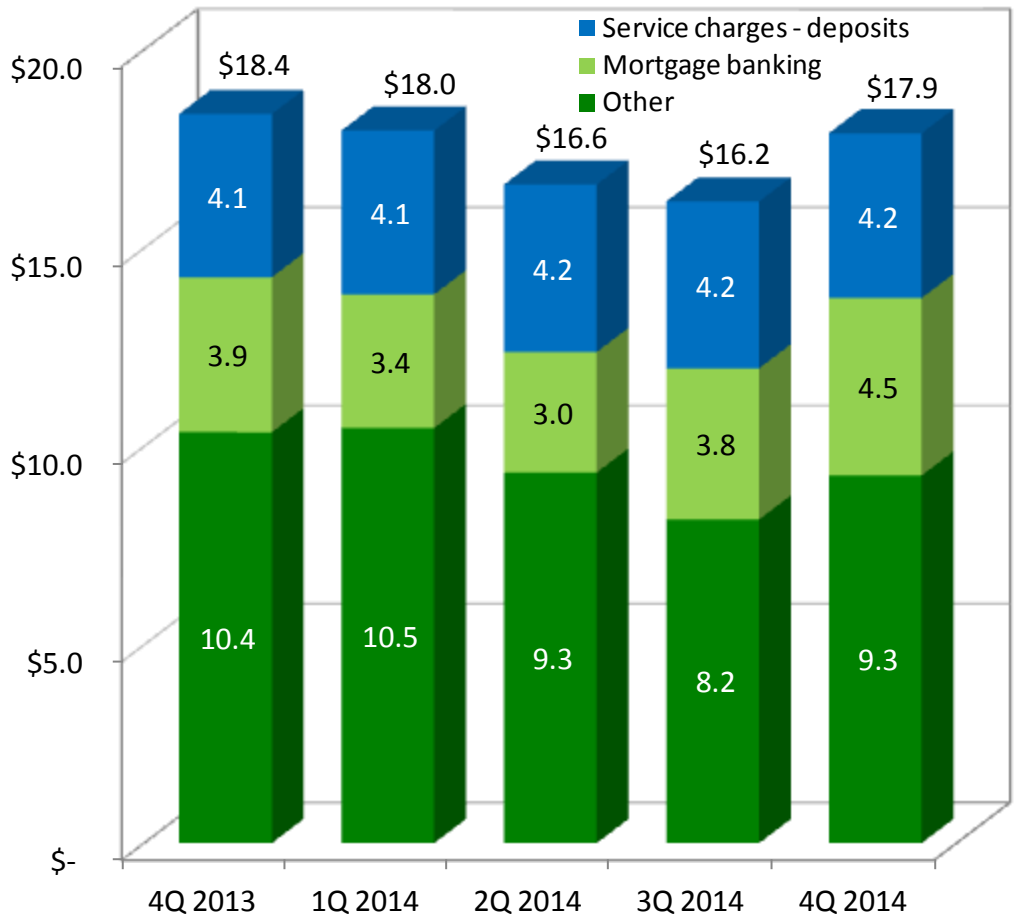
- Cost of total deposits, excluding brokered CDs, declined to 0.70%.
- The average rate paid on non-brokered interest-bearing deposits declined by 2 basis points to 0.81% during the fourth quarter.
- The average cost of brokered CDs increased 1 basis point while the average balance declined $108.0 million during the fourth quarter of 2014.



Results of Operations: NON-INTEREST INCOME*

($ in millions)

- Non-interest income increased $1.7 million compared to 3Q 2014, due to:
  - A $1.0 million increase in other operating income that related to an increase in merchant and POS fees and an increase in insurance commissions; and
  - A $0.7 million increase in revenues from the mortgage banking business, primarily related to an increase in realized gains on loan sales and securitization activities.



* Non interest income excludes equity losses of unconsolidated entities.

Results of Operations: OPERATING EXPENSES

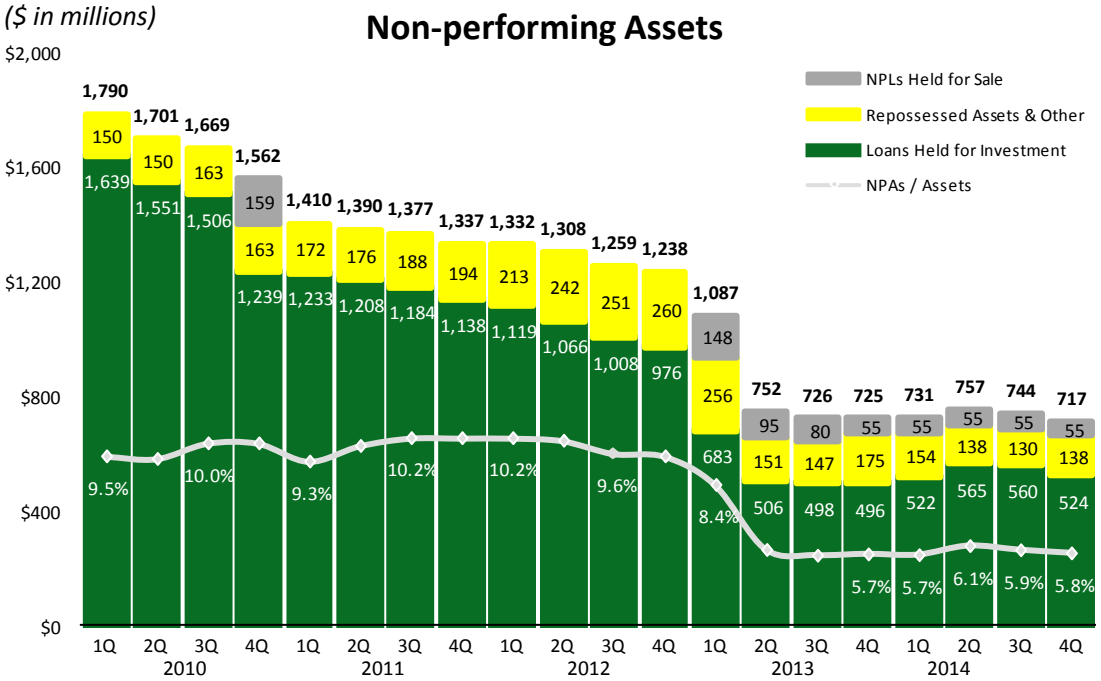
($ in millions)

	4Q 2014	3Q 2014	% Change
Credit related expenses	$ 7.9	$ 7.2	9%
Compensation & benefits	33.9	33.9	0%
Occupancy & equipment	14.8	14.7	0%
Credit & debit card processing expenses	4.0	3.7	7%
Taxes other than income	4.5	4.5	-1%
Deposit insurance prem & supervisory	8.9	9.5	-6%
Acquisition of loans from Doral	-	0.7	-100%
Business promotion	4.5	3.9	14%
All other expenses	16.4	15.4	6%
Total	$ 94.8	$ 93.6	1%

- A $0.7 million increase in credit related expenses due to higher legal and collection fees incurred in troubled loan resolution efforts offset by lower REO losses.
- A $0.3 million increase in credit card processing fees attributable to seasonally higher transaction volumes.
- A $0.6 million decrease in the deposit insurance assessment driven a decrease in leverage commercial loans balance, improved earnings trends, the decrease in brokered deposits and a strengthened capital position.
- A $0.6 million increase in business promotion expenses, driven by an increase of $0.5 million in seasonal marketing expenses.

Results of Operations: ASSET QUALITY

($ in millions)



	4Q 14	3Q 14	$ Δ	% Δ
Residential	$ 181	$ 185	$ (4)	(2%)
Consumer	43	43	(1)	(2%)
C&I and CRE	271	301	(30)	(10%)
Construction	29	30	(1)	(3%)
Loans HFS	55	55	-	0%
NPLs	579	614	(36)	(6%)
REO & Repo Prop	138	130	8	6%
NPAs	$ 717	$ 744	$ (28)	(4%)

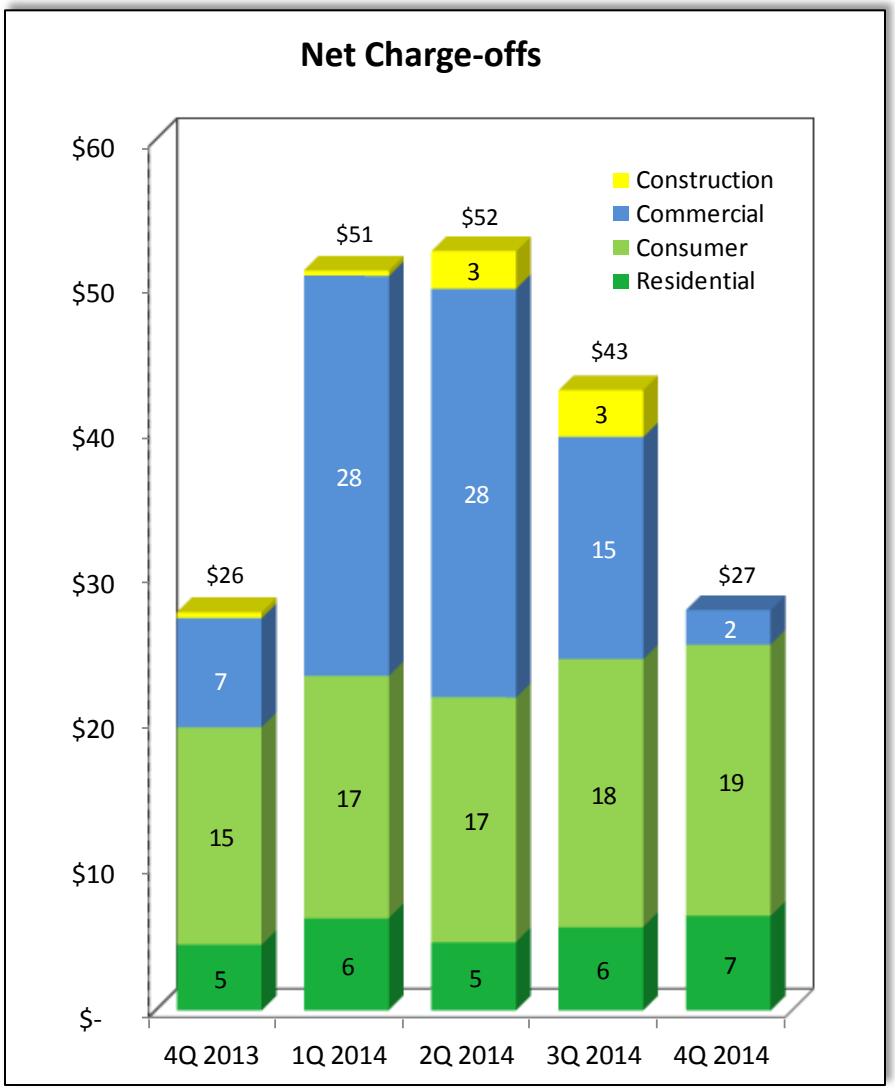
- NPAs decreased $27.7 million to $717 million in 4Q 2014.
- Total NPLs decreased $35.6 million primarily attributable to cash collections on non-performing commercial and construction loans, charge-offs, the restoration to accrual status of loans brought current and residential mortgage loans modified.
- The OREO balance increased by $11.2 million, mainly due to additions of $29.3 million, including the foreclosure of the underlying collateral of a $21.1 million commercial mortgage loan, partially offset by sales of $14.9 million.
- Inflows of non-performing loans held for investment decreased by $16.9 million, or 21%, compared to inflows in the third quarter of 2014.

Migration:

	4Q 14	3Q 14	$ Δ	% Δ
Residential	$ 28	$ 36	$ (8)	(23%)
Consumer	20	19	0	2%
Commercial & Construction	17	26	(9)	(36%)
Total Migration	$ 64	$ 81	$ (17)	(21%)

Results of Operations: NET CHARGE-OFFS & ALLOWANCE COVERAGE

($ in millions)



- Total net charge-offs for 4Q 2014 were $27 million, or 1.13% of average loans, down from $43 million in 3Q 2014.
- Allowance coverage ratio of 2.40% as of December 31, 2014 compared to 2.42% as of September 30, 2014. The slight decrease in the ratio was primarily related to reserve releases related to improvement in the risk classification of certain commercial loans and a lower reserve requirement on residential mortgage loans.
- Commercial NPLs are being carried at 59.7% of unpaid principal balance, net of specific reserves.

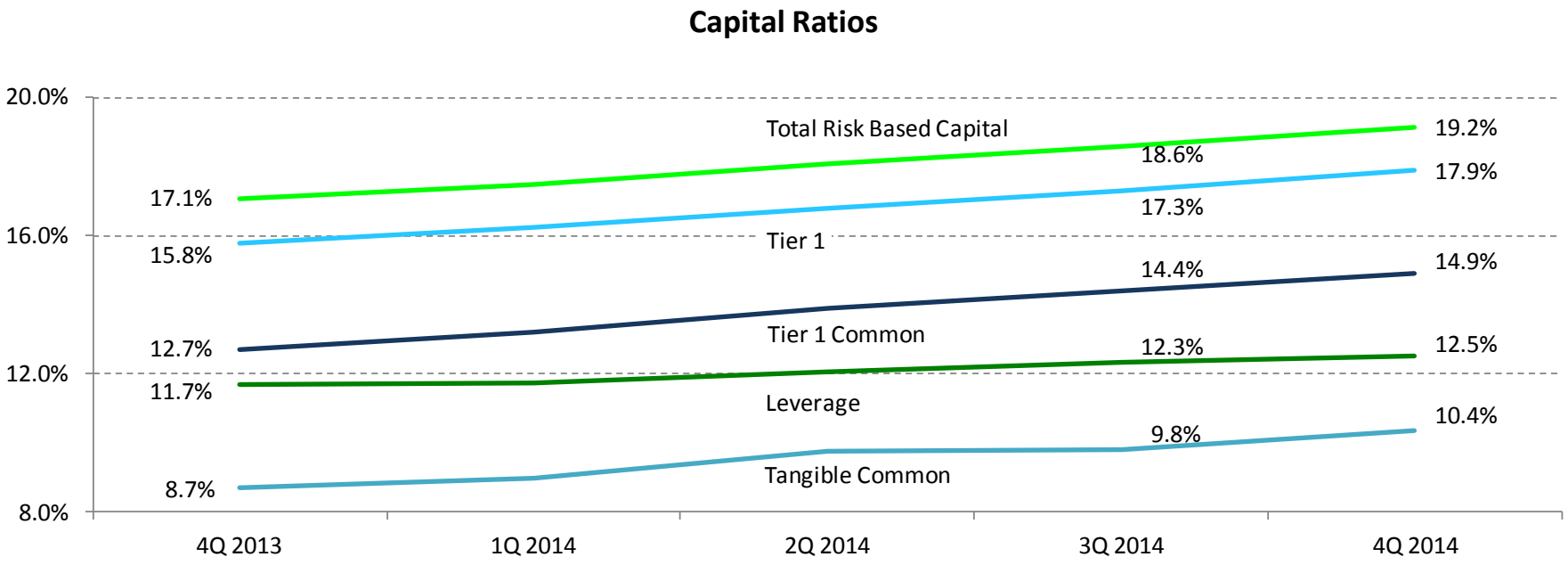
Commercial Non-performing Loans *(includes HFS)* [1]

Product	Book Value	Accum. Charge-offs	Reserves	Net Carrying Amount [2]
C&I	$122.5	$51.0	$15.5	61.7%
Const.	77.2	98.5	2.9	42.3%
CRE	155.3	60.9	8.6	67.9%
Total	**$355.0**	**$210.4**	**$26.9**	**58.0%**

1 As of December 31, 2014
2 Net Carrying Amount = % of unpaid principal balance net of reserves and accumulated charge-offs

Results of Operations: CAPITAL POSITION

- Total stockholders' equity amounted to $1.4 billion as of December 31, 2014, an increase of $43.1 million from September 30, 2014 attributable to net income of $26.3 million and an increase of $16.0 million in other comprehensive income due to the fair value of U.S. agency MBS.
- The capital levels continue to be strong as First BanCorp executes on its strategic plan.



FOURTH QUARTER & FISCAL YEAR 2014

Q&A

1 First BanCorp

EXHIBITS

1 First BanCorp

Results of Operations: Fourth Quarter Key Margin Drivers

Q4 vs. Q3 Change in Average Interest Earning Assets & Interest Bearing Liabilities

	$ Δ in Average Volume	% Δ in Average Rate	Net Interest Income Changes
Average total investments	$ (4,533)	0.03%	$ 206
Average loans & leases:			
Residential mortgage loans	208,544	(0.00%)	2,906
Construction loans	(11,226)	(0.24%)	(222)
C&I and commercial mortgage loans	(147,641)	0.14%	(84)
Finance leases	(2,761)	(0.01%)	(59)
Consumer loans	(35,065)	(0.00%)	(990)
Total average loans	11,851	0.06%	1,551
Average total interest-earning assets	7,318	0.05%	1,757
Interest-bearing liabilities:			
Brokered CDs	(107,975)	0.01%	173
Other interest-bearing deposits	48,149	(0.02%)	153
Other borrowed funds	-	0.17%	(493)
Average total interest-bearing liabilities	(59,500)	0.01%	(173)
Increase (decrease) in net interest income *			$ 1,584

* On a tax equivalent basis and excluding valuations

Results of Operations: MIGRATION

	December 31, 2014					
	Residential Mortgage	Commercial Mortgage	Commercial & Industrial	Construction	Consumer	Total
Beginning balance	$ 185,025	$ 169,967	$ 130,917	$ 30,111	$ 43,496	$ 559,516
Plus:						
Additions to non-performing	27,554	10,045	5,931	809	19,828	64,167
Less:						
Non-performing loans transferred to OREO	(3,829)	(21,120)	(2,194)	(118)	(272)	(27,533)
Non-performing loans charged-off	(4,333)	(3,423)	(2,345)	(78)	(14,284)	(24,463)
Loans returned to accrual status / collections	(23,710)	(6,996)	(9,762)	(1,370)	(5,953)	(47,791)
Ending balance	$ 180,707	$ 148,473	$ 122,547	$ 29,354	$ 42,815	$ 523,896

	September 30, 2014					
	Residential Mortgage	Commercial Mortgage	Commercial & Industrial	Construction	Consumer	Total
Beginning balance	$ 175,404	$ 166,218	$ 143,669	$ 38,830	$ 40,510	$ 564,631
Plus:						
Additions to non-performing	35,645	11,985	13,967	122	19,392	81,111
Less:						
Non-performing loans transferred to OREO	(2,216)	(1,058)	(2,124)	(749)	(103)	(6,250)
Non-performing loans charged-off	(4,445)	(2,292)	(17,570)	(7,689)	(13,773)	(45,769)
Loans returned to accrual status / collections	(19,363)	(4,886)	(7,025)	(403)	(2,530)	(34,207)
Ending balance	$ 185,025	$ 169,967	$ 130,917	$ 30,111	$ 43,496	$ 559,516

Use of Non-GAAP Financial Measures

Basis of Presentation

Use of Non-GAAP Financial Measures

This presentation may contain non-GAAP financial measures. Non-GAAP financial measures are set forth when management believes they will be helpful to an understanding of the Corporation's results of operations or financial position. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found in the text or in the attached tables to the earnings release.

Tangible Common Equity Ratio and Tangible Book Value per Common Share

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

(In thousands, except ratios and per share information)

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Tangible Equity:					
Total equity - GAAP	$ 1,367,241	$ 1,324,157	$ 1,306,001	$ 1,255,898	$ 1,215,858
Preferred equity	(36,104)	(36,104)	(36,104)	(56,810)	(63,047)
Goodwill	(28,098)	(28,098)	(28,098)	(28,098)	(28,098)
Purchased credit card relationship	(16,389)	(17,235)	(18,080)	(18,942)	(19,787)
Core deposit intangible	(5,420)	(5,810)	(6,200)	(6,591)	(6,981)
Tangible common equity	**$ 1,281,230**	**$ 1,236,910**	**$ 1,217,519**	**$ 1,145,457**	**$ 1,097,945**
Tangible Assets:					
Total assets - GAAP	$ 12,424,396	$ 12,643,280	$ 12,523,251	$ 12,819,428	$ 12,656,925
Goodwill	(28,098)	(28,098)	(28,098)	(28,098)	(28,098)
Purchased credit card relationship	(16,389)	(17,235)	(18,080)	(18,942)	(19,787)
Core deposit intangible	(5,420)	(5,810)	(6,200)	(6,591)	(6,981)
Tangible assets	**$ 12,374,489**	**$ 12,592,137**	**$ 12,470,873**	**$ 12,765,797**	**$ 12,602,059**
Common shares outstanding	**212,985**	**212,978**	**212,760**	**208,968**	**207,069**
Tangible common equity ratio	**10.35%**	**9.82%**	**9.76%**	**8.97%**	**8.71%**
Tangible book value per common share	**$ 6.02**	**$ 5.81**	**$ 5.72**	**$ 5.48**	**$ 5.30**

Use of Non-GAAP Financial Measures

Basis of Presentation

Use of Non-GAAP Financial Measures

This presentation may contain non-GAAP financial measures. Non-GAAP financial measures are set forth when management believes they will be helpful to an understanding of the Corporation's results of operations or financial position. Where non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found in the text or in the attached tables to the earnings release.

Tier 1 Common Equity to Risk-Weighted Assets Ratio

The Tier 1 common equity to risk-weighted assets ratio is calculated by dividing (a) tier 1 capital less non-common elements including qualifying perpetual preferred stock and qualifying trust preferred securities by (b) risk-weighted assets, which assets are calculated in accordance with applicable bank regulatory requirements. The Tier 1 common equity ratio is not required by GAAP or on a recurring basis by applicable bank regulatory requirements. However, this ratio will be required under Basel III capital standards as proposed. Management is currently monitoring this ratio, along with the other ratios discussed above, in evaluating the Corporation's capital levels and believes that, at this time, the ratio may be of interest to investors.

(Dollars in thousands)	As of				
	December 31, 2014	**September 30, 2014**	**June 30, 2014**	**March 31, 2014**	**December 31, 2013**
Tier 1 Common Equity:					
Total equity - GAAP	$ 1,367,241	$ 1,324,157	$ 1,306,001	$ 1,255,898	$ 1,215,858
Qualifying preferred stock	(36,104)	(36,104)	(36,104)	(56,810)	(63,047)
Unrealized loss on available-for-sale securities (1)	18,351	34,301	28,381	56,180	78,734
Disallowed deferred tax asset (2)	-	-	-	(25)	-
Goodwill	(28,098)	(28,098)	(28,098)	(28,098)	(28,098)
Core deposit intangible	(5,420)	(5,810)	(6,200)	(6,591)	(6,981)
Other disallowed assets	(422)	(23)	(23)	(23)	(23)
Tier 1 common equity	**$ 1,315,548**	**$ 1,288,423**	**$ 1,263,957**	**$ 1,220,531**	**$ 1,196,443**
Total risk-weighted assets	**$ 8,812,515**	**$ 8,954,477**	**$ 9,079,164**	**$ 9,255,697**	**$ 9,405,798**
Tier 1 common equity to risk-weighted assets ratio	**14.93%**	**14.39%**	**13.92%**	**13.19%**	**12.72%**

1- Tier 1 capital excludes net unrealized gains (losses) on available-for-sale debt securities and net unrealized gains on available-for-sale equity securities with readily determinable fair values, in accordance with regulatory risk-based capital guidelines. In arriving at Tier 1 capital, institutions are required to deduct net unrealized losses on available-for-sale equity securities with readily determinable fair values, net of tax.

2- Approximately $11.2 million of the Corporation's deferred tax assets as of December 31, 2014 (September 30, 2014 - $11.3 million; June 30, 2014 - $9.9 million; March 31, 2014 - $9 million; December 31, 2013 - $7 million) was included without limitation in regulatory capital pursuant to the risk-based capital guidelines, while approximately $0 of such assets as of December 31, 2014 (September 30, 2014 - $0; June 30, 2014 - $0; March 31, 2014 - $25 thousand; December 31, 2013 - $0) exceeded the limitation imposed by these guidelines and, as "disallowed deferred tax assets," was deducted in calculating Tier 1 capital. According to regulatory capital guidelines, the deferred tax assets that are dependent upon future taxable income are limited for inclusion in Tier 1 capital to the lesser of: (i) the amount of such deferred tax asset that the entity expects to realize within one year of the calendar quarter-end date, based on its projected future taxable income for that year, or (ii) 10% of the amount of the entity's Tier 1 capital. Approximately $1.1 million of the Corporation's other net deferred tax liability as of December 31, 2014 (September 30, 2014 - $1.4 million deferred tax liability; June 30, 2014 - $1.2 million deferred tax liability; March 31, 2014 - $0.8 million deferred tax liability; December 31, 2013 - $0.3 million deferred tax asset) represented primarily the deferred tax effects of unrealized gains and losses on available-for-sale debt securities, which are permitted to be excluded prior to deriving the amount of net deferred tax assets subject to limitation under the guidelines.

Use of Non-GAAP Financial Measures

Basis of Presentation

Use of Non-GAAP Financial Measures

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Adjusted Pre-Tax, Pre-Provision Income

One non-GAAP performance metric that management believes is useful in analyzing underlying performance trends, particularly in times of economic stress, is adjusted pre-tax, pre-provision income. Adjusted pre-tax, pre-provision income, as defined by management, represents net (loss) income excluding income tax expense (benefit), the provision for loan and lease losses, gains on sale and OTTI of investment securities, fair value adjustments on derivatives and liabilities measured at fair value, equity in earnings or losses of unconsolidated entities as well as certain items identified as unusual, non-recurring or non-operating.

From time to time, revenue and expenses are impacted by items judged by management to be outside of ordinary banking activities and/or by items that, while they may be associated with ordinary banking activities, are so unusually large that management believes that a complete analysis of its Corporation's performance requires consideration also of results that exclude such amounts. These items result from factors originating outside the Corporation such as regulatory actions/assessments, and may result from unusual management decisions, such as the early extinguishment of debt.

(Dollars in thousands)	Quarter Ended				
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Income before income taxes	$ 28,391	$ 23,265	$ 20,949	$ 17,970	$ 15,634
Add: Provision for loan and lease losses	23,872	26,999	26,744	31,915	22,969
Add/Less: Net loss (gain) on investments and impairments	172	245	(291)	-	-
Less: Unrealized gain on derivative instruments	(265)	(418)	(262)	(313)	(355)
Less: Prepayment penalty on a commercial mortgage loan tied to an interest rate swap	(2,546)	-	-	-	-
Add: Acquisitions of mortgage loans from Doral related expenses	-	659	576	-	-
Less: National gross receipt tax - outside Puerto Rico (1)	-	-	-	-	(473)
Add: Branch consolidations and restructuring expenses/valuation adjustments	-	-	236	718	1,421
Add: Loss contingency - attorneys' fees in Lehman litigation	-	-	-	-	2,500
Add/Less: Equity in loss (earnings) of unconsolidated entity	-	-	670	6,610	5,893
Adjusted pre-tax, pre-provision income (2)	$ 49,624	$ 50,750	$ 48,622	$ 56,900	$ 47,589
Change from most recent prior quarter-amount	$ (1,126)	$ 2,128	$ (8,278)	$ 9,311	$ (3,282)
Change from most recent prior quarter-percentage	-2.2%	4.4%	-14.5%	19.6%	-6.5%

(1) Represents the impact of the national gross receipts tax related to the trade or business outside of Puerto Rico that was reversed in the fourth quarter of 2013 after enactment of Act No. 117.

(2) See "Basis of Presentation" for definition.