

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended  March 31, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from  to

COMMISSION FILE NUMBER  001-14793

**FIRST BANCORP**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Puerto Rico (State or other jurisdiction of incorporation or organization)	66-0561882 (I.R.S. Employer Identification No.)
1519 Ponce de León Aven <input type="text"/> 23 San JuanPuerto Rico (Address of principal executive offices)	00908 (Zip Code)

(787) 729-8200

(Registrant's telephone number, including area code)

Not

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (\$0.10 par value per share)	FBP	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation FD of this chapter (171a-105 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised accounting standards provided pursuant to Section 13(a) of the Exchange Act.   Yes

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).   Yes

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock  166,427,105 shares outstanding as of May 2, 2024.

**FIRST BANCORP.  
INDEX PAGE**

	<b>PAGE</b>
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. Financial Statements:	
Consolidated Statements of Financial Condition (Unaudited) as of March 31, 2024 and December 31, 2023	<u>5</u>
Consolidated Statements of Income (Unaudited) – Quarters ended March 31, 2024 and 2023	<u>6</u>
Consolidated Statements of Comprehensive Income (Loss) (Unaudited) – Quarters ended March 31, 2024 and 2023	<u>7</u>
Consolidated Statements of Cash Flows (Unaudited) – Quarters ended March 31, 2024 and 2023	<u>8</u>
Consolidated Statements of Changes in Stockholders' Equity (Unaudited) – Quarters ended March 31, 2024 and 2023	<u>9</u>
Notes to Consolidated Financial Statements (Unaudited)	<u>10</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>74</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>124</u>
Item 4. Controls and Procedures	<u>124</u>
<b>PART II. OTHER INFORMATION</b>	
Item 1. Legal Proceedings	<u>125</u>
Item 1A. Risk Factors	<u>125</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>127</u>
Item 5. Other Information	<u>127</u>
Item 6. Exhibits	<u>128</u>

**SIGNATURES**

## Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains forward-looking statements within the meaning of Section 21E of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are subject to the safe harbor created by such sections. When used in this Form 10-Q or future filings by the Corporation (the "Corporation," "we," "us," or "our") with the U.S. Securities and Exchange Commission (the "SEC"), the Corporation's press releases or in other public or stockholder communications made by the Corporation, or in oral statements made by or on behalf of the Corporation by, or with the approval of, an authorized executive officer of the Corporation, the words "would last," "will," "expect," "should," "plans," "forecast," "anticipate," "look forward," "believes," and other terms of similar meaning or import, or the negatives of these terms or variations of them, in connection with any discussion of future operations or other performance are meant to identify "forward-looking statements."

The Corporation cautions readers not to place undue reliance on any such "forward-looking statements," which speak only as of the date made or, with respect to such forward-looking statements contained in this Form 10-Q, the date hereof, and advises readers that forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties, assumptions and other factors that are difficult to predict. Various factors, some of which are beyond our control, could cause actual results materially from those expressed in, or implied by, such forward-looking statements.

Factors that could cause results to differ materially from those expressed in, or implied by, the Corporation's ~~statements~~ ~~including~~ ~~and~~ ~~but~~ ~~not~~ ~~limited~~ ~~to~~ ~~risks~~ ~~described~~ ~~or~~ ~~referenced~~ ~~in~~ ~~Part~~ ~~I~~, ~~Item~~ ~~1A~~, "Risk Factors," in the Corporation's ~~Report~~ on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Annual Report on Form 10-K"), and the following:

- the effect of the current interest rate environment and inflation levels or changes in interest rates on the level, ~~and~~ ~~performance~~ of the Corporation's assets and liabilities, and corresponding effects on the Corporation's ~~interest~~ ~~interest~~ margin, loan originations, deposit attrition, overall results of operations, and liquidity position;
- the effects of changes in the interest rate environment, including any adverse change in the Corporation's ability to attract ~~retain~~ clients and gain acceptance from current and prospective customers for new products and services, ~~including~~ ~~the~~ ~~offering~~ of digital banking and financial services;
- volatility in the financial services industry, including failures or rumored failures of other depository institutions, and ~~taking~~ ~~by~~ governmental agencies to stabilize the financial system, which could result in, among other things, ~~bank~~ ~~deposit~~ constraints, and increased regulatory requirements and costs;
- the effect of continued changes in the fiscal and monetary policies and regulations of the United States ~~government~~ ~~and~~ Puerto Rico government and other governments, including those determined by the Board of the ~~Federal~~ ~~Reserve~~ System (the "Federal Reserve Board"), the Federal Reserve Bank of New York (the ~~Federal~~ ~~Reserve~~ Deposit Insurance Corporation (the "FDIC"), government-sponsored housing agencies and regulators in Puerto Rico, U.S., and the U.S. Virgin Islands (the "USVI") and British Virgin Islands (the "BVI"), that may affect the future ~~of~~ ~~the~~ ~~Corporation~~;
- uncertainty as to the ability of the Corporation's banking subsidiary, FirstBank Puerto Rico ("FirstBank" or the "Bank"), ~~to~~ ~~retain~~ its core deposits and generate sufficient cash flow through its wholesale funding sources, such as securities sold ~~agreements~~ ~~to~~ ~~repurchase~~, Federal Home Loan Bank ("FHLB") advances, and brokered certificates of deposit ~~which~~ ~~may~~ ~~require~~ us to sell investment securities at a loss;
- adverse changes in general economic conditions in Puerto Rico, the U.S., and the USVI and the BVI, including in the ~~environment~~, ~~unemployment~~ rates, market liquidity, housing absorption rates, real estate markets, and ~~market~~ ~~capital~~ which may affect funding sources, loan portfolio performance and credit quality, market prices of ~~securities~~ and demand for the Corporation's products and services, and which may reduce the Corporation's ~~earnings~~ ~~and~~ the value of the Corporation's assets;
- the impact of government financial assistance for hurricane recovery and other disaster relief on economic activity in ~~Rico~~ and the timing and pace of disbursements of funds earmarked for disaster relief;
- the ability of the Corporation, FirstBank, and third-party service providers to identify and prevent cyber-security ~~incidents~~, data security breaches, ransomware, malware, "denial of service" attacks, "hacking," identity theft, ~~and~~ ~~cyber~~ threats, and the occurrence of and response to any incidents that occur, which may result ~~in~~ ~~the~~ ~~misappropriation~~ of confidential or proprietary information, disruption, or damage to our systems or those of ~~third~~ ~~party~~ providers on which we rely, increased costs and losses and/or adverse effects to our reputation;

- general competitive factors and other market risks as well as the implementation of existent or planned strategic partnerships, including risks, uncertainties, and other factors or events related to any business acquisitions, strategic partnerships, strategic operational investments, including systems conversions, and any anticipated ~~efficiencies~~ ~~expected~~ results related thereto;
- uncertainty as to the implementation of the debt restructuring plan of Puerto Rico ("Plan of Adjustment" or "PoA") and fiscal plan for Puerto Rico as certified on April 3, 2023 (the "2023 Fiscal Plan") by the oversight board established by ~~Puerto~~ ~~Rico~~ Oversight, Management, and Economic Stability Act ("PROMESA"), or any revisions to it, on our clients ~~loan~~ portfolios, and any potential impact from future economic or political developments and tax regulations in Puerto Rico;
- the impact of changes in accounting standards, or assumptions in applying those standards, and of forecasts ~~variables~~ ~~considered~~ for the determination of the allowance for credit losses ("ACL");
- the ability of FirstBank to realize the benefits of its net deferred tax assets;
- the ability of FirstBank to generate sufficient cash flow to pay dividends to the Corporation;
- environmental, social and governance ("ESG") matters, including our climate-related initiatives and commitments;
- the impacts of natural or man-made disasters, the emergence or continuation of widespread health emergencies, ~~geopolitical~~ ~~including~~ ~~sanctions, war or armed conflict, such as the ongoing conflict in Ukraine, the conflict between Israel and Hamas, and the possible expansion of such conflicts in surrounding areas and potential geopolitical consequences, terrorist~~ ~~or other catastrophic external events, including impacts of such events on general economic conditions~~ ~~Corporation's~~ assumptions regarding forecasts of economic variables;
- the risk that additional portions of the unrealized losses in the Corporation's debt securities portfolio are ~~determined~~ ~~resulting~~ in additional charges to the provision for credit losses on the Corporation's debt securities portfolio, potential for additional credit losses that could emerge from the downgrade of the U.S.'s Long-Term ~~Entity~~ ~~Default Rating to 'AA+' from 'AAA'~~ in August 2023 and subsequent negative ratings outlooks;
- the impacts of applicable legislative, tax, or regulatory changes, as well as of the 2024 U.S. and Puerto Rico general ~~election~~ ~~Corporation's~~ financial condition or performance;
- the risk of possible failure or circumvention of the Corporation's internal controls and procedures and the ~~risk~~ ~~that~~ ~~the~~ risk management policies may not be adequate;
- the risk that the FDIC may further increase the deposit insurance premium and/or require further special assessments, ~~an~~ ~~additional~~ increase in the Corporation's non-interest expenses;
- any need to recognize impairments on the Corporation's financial instruments, goodwill, and other intangible assets;
- the risk that the impact of the occurrence of any of these uncertainties on the Corporation's capital would preclude ~~full~~ ~~the~~ ~~ability~~ of FirstBank and preclude the Corporation's Board of Directors (the "Board") from declaring dividends; and
- uncertainty as to whether FirstBank will be able to continue to satisfy its regulators regarding, among other things, its ~~asset~~ ~~liquidity~~ plans, maintenance of capital levels, and compliance with applicable laws, regulations and ~~related~~ ~~ents~~ ~~ents~~.

The Corporation does not undertake to, and specifically disclaims any obligation to update any "forward-looking statements" or unanticipated events or circumstances after the date of such statements, except as required by securities laws.

**FIRST BANCORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
(Uaudited)

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
(In thousands, except for share ASSET)		
Cash and due from banks	\$ 680,734	\$ 661,925
Money market investments:		
Time deposits with other financial institutions	300	300
Other short-term investments	3,485	939
Total money market investments	<u>3,785</u>	<u>1,239</u>
Available-for-sale debt securities, at fair value (amortized <del>5,863,294</del> as of March 31, 2024 and <del>5,229,984</del> as of December 31, 2023)	5,047,179	5,229,984
\$ <del>5,863,294</del> as of December 31, 2023; ACL <del>442</del> as of March 31, 2024 and <del>511</del> as of December 31, 2023)	<del>5,047,179</del>	<del>5,229,984</del>
Held-to-maturity debt securities, at amortized cost, net of ACL <del>205</del> as of March 31, 2024 and <del>197</del> as of December 31, 2023	348,095	351,981
\$ <del>388,120</del> as of December 31, 2023 (fair value <del>388,120</del> as of March 31, 2024 and <del>346,132</del> as of December 31, 2023)	<del>348,095</del>	<del>351,981</del>
Equity securities		
Total investment securities	<u>51,390</u>	<u>49,675</u>
Loans, net of ACL <del>263,592</del> as of March 31, 2024 and <del>261,843</del> as of December 31, 2023	12,047,856	11,923,640
Mortgage loans held for sale, at lower of cost or market	<u>12,080</u>	<u>7,368</u>
Total loans, net	<u>12,059,936</u>	<u>11,921,008</u>
Accrued interest receivable on loans and investments	73,154	77,716
Premises and equipment, net	141,471	142,016
Other real estate owned ("OREO")	28,864	32,669
Deferred tax asset, net	147,743	150,127
Goodwill	38,611	38,611
Other intangible assets	11,542	13,383
Other assets	<u>258,457</u>	<u>229,215</u>
Total assets	<u>\$ 18,890,961</u>	<u>\$ 18,909,549</u>
<b>LIABILITIES</b>		
Non-interest-bearing deposits	\$ 5,346,326	\$ 5,404,121
Interest-bearing deposits	<u>11,199,185</u>	<u>11,151,864</u>
Total deposits	<u>16,545,511</u>	<u>16,555,985</u>
Long-term advances from the FHLB	500,000	500,000
Other long-term borrowings	161,700	161,700
Accounts payable and other liabilities	<u>204,033</u>	<u>194,255</u>
Total liabilities	<u>17,411,244</u>	<u>17,411,940</u>
<b>Commitments and contingencies (See Note 21)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$10 par value 2,000,000,000 shares authorized <del>23,663,116</del> shares issued <del>166,707,047</del> shares outstanding as of March 31, 2024 and <del>160,812</del> as of December 31, 2023	22,366	22,366
Additional paid-in capital	959,319	965,707
Retained earnings, includes legal surplus reserve <del>190,576</del> as of each of March 31, 2024 and December 31, 2023	1,892,714	1,846,112
Treasury stock (at cost) <del>10,956,069</del> shares as of March 31, 2024 and <del>10,860,304</del> shares as of December 31, 2023	( 740,447 )	( 697,406 )
Accumulated other comprehensive loss, net of <del>10,561</del> as of each of March 31, 2024 and December 31, 2023	( 654,235 )	( 639,170 )
Total stockholders' equity	<u>1,479,717</u>	<u>1,497,609</u>
Total liabilities and stockholders' equity	<u>\$ 18,890,961</u>	<u>\$ 18,909,549</u>

The accompanying notes are an integral part of these statements.

**FIRST BANCORP.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Uaudited)

	<b>Quarter Ended March</b>	
	<b>2024<sup>31,</sup></b>	<b>2023</b>
<b>(In thousands, except per share</b>		
<b>Interest and dividend income:</b>		
Loans	\$ 237,129	\$ 210,636
Investment securities	24,122	27,110
Money market investments and interest-bearing cash accounts	7,254	4,650
<b>Total interest and dividend income</b>	<b>268,505</b>	<b>242,396</b>
<b>Interest expense:</b>		
Deposits	63,025	29,885
Short-term securities sold under agreements to repurchase	-	1,069
Advances from the FHLB:		
Short-term	-	4,341
Long-term	5,610	2,835
Other long-term borrowings	3,350	3,381
<b>Total interest expense</b>	<b>71,985</b>	<b>41,511</b>
Net interest income	196,520	200,885
<b>Provision for credit losses - expense (benefit):</b>		
Loans and finance leases	12,917	16,256
Unfunded loan commitments	281	(105)
Debt securities	(1,031)	(649)
<b>Provision for credit losses - expense</b>	<b>12,167</b>	<b>15,502</b>
Net interest income after provision for credit losses	184,353	185,383
<b>Non-interest income:</b>		
Service charges and fees on deposit accounts	9,662	9,541
Mortgage banking	2,882	2,812
Agency fee commission income	5,507	4,847
Card and processing income	11,312	10,918
Other non-interest income	4,620	4,400
<b>Total non-interest income</b>	<b>33,983</b>	<b>32,518</b>
<b>Non-interest expenses:</b>		
Employees' compensation and benefits	59,506	56,422
Occupancy and equipment	21,381	21,186
Business promotion	3,842	3,975
Professional service fees	12,676	11,973
Taxes, other than income taxes	5,129	5,112
FDIC deposit insurance	3,102	2,133
Net gain on OREO operations	(1,452)	(1,996)
Credit and debit card processing expenses	5,751	5,318
Communications	2,097	2,216
Other non-interest expenses	8,891	8,929
<b>Total non-interest expenses</b>	<b>120,923</b>	<b>115,268</b>
<b>Income before income tax expense</b>	<b>97,413</b>	<b>102,633</b>
<b>Income tax expense</b>	<b>23,955</b>	<b>31,935</b>
<b>Net income</b>	<b>\$ 73,458</b>	<b>\$ 70,698</b>
<b>Net income attributable to common stockholders</b>	<b>\$ 73,458</b>	<b>\$ 70,698</b>
<b>Net income per common share:</b>		
Basic	\$ 0.44	\$ 0.39
Diluted	\$ 0.44	\$ 0.39

The accompanying notes are an integral part of these statements.

**FIRST BANCORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Uaudited)

(In thousands)	Quarter Ended March	
	2024 <sup>1</sup> ,	2023
Other comprehensive (loss) income, net of tax available-for-sale debt	\$ 73,458	\$ 70,698
Net unrealized holding (losses) gains on debt securities	( 15,065 )	87,228
Other comprehensive (loss) income for the period, net of tax	( 15,065 )	87,228
Total comprehensive income	\$ 58,393	\$ 157,926

(1) Net unrealized holding (losses) gains on available-for-sale debt securities have no tax effect because securities are either tax-exempt, held by an International Banking Entity or have a full deferred tax asset valuation allowance.

The accompanying notes are an integral part of these statements.

**FIRST BANCORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>Quarter ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
(In thousands)		
<b>Cash flows from operating activities:</b>		
Net income	\$ 73,458	\$ 70,698
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	4,680	5,080
Amortization of intangible assets	1,841	2,045
Provision for credit losses	12,167	15,502
Deferred income tax expense	2,384	1,564
Stock-based compensation	2,925	2,075
Unrealized (gain) loss on derivative instruments	( 108 )	3
Net gain on disposals or sales, and impairments of premises and equipment and other assets	( 33 )	( 8 )
Net gain on sales of loans and loans held-for-sale valuation adjustments	( 759 )	( 766 )
Net amortization of discounts, premiums, and deferred loan fees and originations and purchases of loans held for sale	33	283
Sales and repayments of loans held for sale	( 35,577 )	( 38,500 )
Amortization of broker placement fees	31,588	34,836
Net amortization of premiums and discounts on investment securities	130	44
Decrease in accrued interest receivable	874	630
Increase in accrued interest	4,503	8,566
(Increase) decrease in other assets	4,567	3,752
Increase in other liabilities	( 909 )	168
Net cash provided by operating activities	<u>118,246</u>	<u>115,415</u>
<b>Cash flows from investing activities:</b>		
Net disbursements on loans held for investment	( 156,118 )	( 71,193 )
Proceeds from sales of loans held for investment	10,162	2,552
Proceeds from sales of repossessed assets	17,784	12,347
Proceeds from principal repayments and maturities of available-for-sale debt securities	166,440	113,218
Proceeds from principal repayments and maturities of held-to-maturity debt securities	5,339	6,652
Additions to premises and equipment	( 4,140 )	( 1,689 )
Proceeds from sales of premises and equipment and other assets	1,280	8
Net purchases of other investments securities	( 1,737 )	( 11,360 )
Proceeds from the settlement of insurance claims - investing activities	667	-
Net cash provided by investing activities	<u>39,677</u>	<u>50,535</u>
<b>Cash flows from financing activities:</b>		
Net decrease in deposits	( 57,585 )	( 92,354 )
Net proceeds of short-term borrowings	-	47,849
Proceeds from long-term borrowings	-	300,000
Repurchase of outstanding common stock	( 52,354 )	( 53,217 )
Dividends paid on common stock	( 26,629 )	( 25,132 )
Net cash (used in) provided by financing	( 136,568 )	177,146
Net increase in cash and cash equivalents	21,355	343,096
Cash and cash equivalents at beginning of year	663,164	480,505
Cash and cash equivalents at end of period	<u>\$ 684,519</u>	<u>\$ 823,601</u>
<b>Cash and cash equivalents include:</b>		
Cash and due from banks	\$ 680,734	\$ 822,542
Money market investments	3,785	1,059
	<u>\$ 684,519</u>	<u>\$ 823,601</u>

The accompanying notes are an integral part of these statements.

**FIRST BANCORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

	<u>Quarter Ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
(In thousands, except per share		
<b>Common Stock</b>		
	\$ 22,366	\$ 22,366
<b>Additional Paid-In Capital:</b>		
Balance at beginning of period	965,707	970,722
Stock-based compensation expense	2,925	2,075
Common stock reissued under stock-based compensation plan	( 9,336 )	( 13,139 )
Restricted stock forfeited	23	254
Balance at end of period	<u>959,319</u>	<u>959,912</u>
<b>Retained Earnings:</b>		
Balance at beginning of period	1,846,112	1,644,209
Impact of adoption of Accounting Standards Update ("ASU") 2022-02	-	( 1,357 )
Net income	73,458	70,698
Dividends on common stock (\$0.06 per share and \$0.14 per share for the quarters March 31, 2024 and 2023, respectively)	\$ ( 26,856 )	( 25,374 )
Balance at end of period	<u>1,892,714</u>	<u>1,688,176</u>
<b>Treasury Stock (at cost):</b>		
Balance at beginning of period	( 697,406 )	( 506,979 )
Common stock repurchases (See Note 10)	( 52,354 )	( 53,217 )
Common stock reissued under stock-based compensation plan	9,336	13,139
Restricted stock forfeited	( 23 )	( 254 )
Balance at end of period	<u>( 740,447 )</u>	<u>( 547,311 )</u>
<b>Accumulated Other Comprehensive Loss, net of tax:</b>		
Balance at beginning of period	( 639,170 )	( 804,778 )
Other comprehensive (loss) income, net of tax	( 15,065 )	87,228
Balance at end of period	<u>( 654,235 )</u>	<u>( 717,550 )</u>
Total stockholders' equity	<u>\$ 1,479,717</u>	<u>\$ 1,405,593</u>

The accompanying notes are an integral part of these statements.

**FIRST BANCORP.**  
**INDEX TO NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>PAGE</b>
Note 1 – Basis of Presentation and Significant Accounting Policies	<u><a href="#">11</a></u>
Note 2 – Debt Securities	<u><a href="#">12</a></u>
Note 3 – Loans Held for Investment	<u><a href="#">21</a></u>
Note 4 – Allowance for Credit Losses for Loans and Finance Leases	<u><a href="#">40</a></u>
Note 5 – Other Real Estate Owned	<u><a href="#">43</a></u>
Note 6 – Goodwill and Other Intangibles	<u><a href="#">44</a></u>
Note 7 – Non-Consolidated Variable Interest Entities ("VIEs") and Servicing Assets	<u><a href="#">45</a></u>
Note 8 – Deposits	<u><a href="#">49</a></u>
Note 9 – Advances from the Federal Home Loan Bank ("FHLB")	<u><a href="#">50</a></u>
Note 10 – Other Long-Term Borrowings	<u><a href="#">50</a></u>
Note 11 – Earnings per Common Share	<u><a href="#">51</a></u>
Note 12 – Stock-Based Compensation	<u><a href="#">52</a></u>
Note 13 – Stockholders' Equity	<u><a href="#">55</a></u>
Note 14 – Accumulated Other Comprehensive Loss	<u><a href="#">57</a></u>
Note 15 – Employee Benefit Plans	<u><a href="#">57</a></u>
Note 16 – Income Taxes	<u><a href="#">58</a></u>
Note 17 – Fair Value	<u><a href="#">60</a></u>
Note 18 – Revenue from Contracts with Customers	<u><a href="#">64</a></u>
Note 19 – Segment Information	<u><a href="#">66</a></u>
Note 20 – Supplemental Statement of Cash Flows Information	<u><a href="#">68</a></u>
Note 21 – Regulatory Matters, Commitments, and Contingencies	<u><a href="#">69</a></u>
Note 22 – First BanCorp. (Holding Company Only) Financial Information	<u><a href="#">73</a></u>

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The Consolidated Financial Statements (unaudited) for the quarter ended March 31, 2024 (the “unaudited statements of FirstBanCorp. (the “Corporation”) have been prepared in conformity with the accounting Corporation’s Audited Consolidated Financial Statements for the fiscal year ended December 31, 2023 (the “audited statements”) included in the 2023 Annual Report on Form 10-K, as updated by the information contained in this report. Certain information disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) have been condensed or omitted from these statements pursuant to the rules and regulations of the SEC. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements included in the 2023 Annual Report on Form 10-K. All adjustments (consisting only of normal recurring adjustments) that affect financial management, necessary for a fair presentation of the statement of financial position, results of operations and cash flows for the period have been reflected. All significant intercompany accounts and transactions have been eliminated in the preparation of the consolidated financial statements through the date of filing with the SEC.

The results of operations for the quarter ended March 31, 2024 are not necessarily indicative of the results to be expected for the entire year.

**Adoption of New Accounting Requirements**

The Corporation was not impacted by the adoption of the following ASU during 2024:

- ASU 2023-02, “Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments Using The Proportional Amortization Method”
- ASU 2023-01, “Leases (Topic 842): Common Control Arrangements”
- ASU 2022-03, “Fair Value Measurements (Topic 820): Fair Value Measurement of Equity Securities Subject to Reclassification”

**Recently Issued Accounting Standards Not Yet Effective or Not Yet Adopted**

The Corporation does not expect to be impacted by the following ASUs issued during 2024 that are not yet effective or adopted not yet been

- ASU 2024-02, “Codification Improvements – Amendments to Remove References to the Concepts Statements”
- ASU 2024-01, “Compensation – Stock Compensation (Topic 718): Stock Application of Profits Interest and Similar Awards”

For other issued accounting standards not yet effective or not yet adopted, see Note 1 – “Nature of Significant Accounting Policies”, to the audited consolidated financial statements included in the 2023 Annual Report on Form 10-K.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 2 – DEBT SECURITIES**

**Available-for-Sale Debt Securities**

The amortized cost, gross unrealized gains and losses, ACL, estimated fair value, and weighted-average yield of debt securities available-for-sale with contractual maturities as of March 31, 2024 and December 31, 2023 were as follows:

	March 31, 2024						
	Gross Unrealized						Weighted- average yield%
	Amortized cost	Gains	Losses	ACL	Fair value <sup>(2)</sup>		
<b>(Dollars in thousands)</b>							
<b>U.S. Treasury securities:</b>							
Due within one year	\$ 100,519	\$ -	\$ 3,144	\$ -	\$ 97,375	0.70	
After 1 to 5 years	19,881	-	1,188	-	18,693	0.65	
U.S. government-sponsored entities' ("GSEs") obligations:							
Due within one year	683,768	-	17,920	-	665,848	0.90	
After 1 to 5 years	1,698,700	59	128,048	-	1,570,711	0.82	
After 5 to 10 years	8,850	-	754	-	8,096	2.64	
After 10 years	8,762	3	4	-	8,761	5.51	
Puerto Rico government obligation:							
After 10 years <sup>(3)</sup>	3,112	-	1,235	326	1,551	-	
<b>United States and Puerto Rico government obligations</b>	<b>2,523,592</b>	<b>62</b>	<b>152,293</b>	<b>326</b>	<b>2,371,035</b>	<b>0.86</b>	
<b>Mortgage-backed securities ("MBS"):</b>							
Residential MBS:							
FHLMC certificates:							
Due within one year	7	-	-	-	7	4.50	
After 1 to 5 years	17,827	-	856	-	16,971	2.06	
After 5 to 10 years	146,335	-	13,488	-	132,847	1.55	
After 10 years	970,917	8	169,069	-	801,856	1.41	
	<b>1,135,086</b>	<b>8</b>	<b>183,413</b>	<b>-</b>	<b>951,681</b>	<b>1.44</b>	
GNMA certificates:							
Due within one year	281	-	3	-	278	3.25	
After 1 to 5 years	14,493	-	789	-	13,704	1.11	
After 5 to 10 years	26,563	4	2,387	-	24,180	1.65	
After 10 years	201,129	165	25,748	-	175,546	2.60	
	<b>242,466</b>	<b>169</b>	<b>28,927</b>	<b>-</b>	<b>213,708</b>	<b>2.41</b>	
FNMA certificates:							
After 1 to 5 years	29,694	-	1,411	-	28,283	2.11	
After 5 to 10 years	284,547	-	24,926	-	259,621	1.73	
After 10 years	1,016,944	32	161,363	-	855,613	1.36	
	<b>1,331,185</b>	<b>32</b>	<b>187,700</b>	<b>-</b>	<b>1,143,517</b>	<b>1.46</b>	
Collateralized mortgage obligations ("CMOs") issued or guaranteed by the FHLMC, FNMA, and GNMA:							
After 10 years	267,401	-	53,977	-	213,424	1.54	
Private label:							
After 5 to 10 years	400	-	93	2	305	8.44	
After 10 years	6,496	-	1,963	114	4,419	7.58	
	<b>6,896</b>	<b>-</b>	<b>2,056</b>	<b>116</b>	<b>4,724</b>	<b>7.63</b>	
<b>Total Residential MBS</b>	<b>2,983,034</b>	<b>209</b>	<b>456,073</b>	<b>116</b>	<b>2,527,054</b>	<b>1.55</b>	
Commercial MBS:							
After 1 to 5 years	44,443	2	7,044	-	37,401	2.18	
After 5 to 10 years	22,252	-	2,785	-	19,467	2.16	
After 10 years	122,164	-	29,942	-	92,222	1.36	
<b>Total Commercial MBS</b>	<b>188,859</b>	<b>2</b>	<b>39,771</b>	<b>-</b>	<b>149,090</b>	<b>1.64</b>	
<b>Total MBS</b>	<b>3,171,893</b>	<b>211</b>	<b>495,844</b>	<b>116</b>	<b>2,676,144</b>	<b>1.55</b>	
<b>Total available-for-sale debt securities</b>	<b>\$ 5,695,485</b>	<b>\$ 273</b>	<b>\$ 648,137</b>	<b>\$ 442</b>	<b>\$ 5,047,179</b>	<b>1.25</b>	

(1) Excludes accrued interest receivable on available-for-sale debt securities that ~~total~~ \$2.2 billion as of March 31, 2024 reported as part of accrued interest receivable on loans and investment securities in the statements of financial condition, and excluded from the estimate of credit ~~consolidated~~

(2) ~~Includes~~ 4730 million (amortized cost -552.3million) that was pledged at the FHLB as collateral for borrowings and letters of credit as ~~total~~ \$2.8 billion (amortized cost -3.1billion) pledged as collateral for uninsured portion of government deposits. The ~~secured~~ parties are not permitted to sell or repledge the ~~the~~

(3) Collateral of a residential pass-through MBS issued by the Puerto Rico Housing Finance Authority (the "PRHFA") that is collateralized by certain second mortgages originated under a program launched by the government in 2004 and is in nonaccrual status based on the delinquency status of the underlying second mortgage loans collateral.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

	December 31, 2023					
	Gross Unrealized					
	<u>Amortized cost</u>	<u>Gains</u>	<u>Losses</u>	<u>ACL</u>	<u>Fair value<sup>(2)</sup></u>	<u>Weighted-average yield%</u>
(Dollars in thousands)						
U.S. Treasury securities:						
Within one year	\$ 80,314	\$ -	\$ 2,144	\$ -	\$ 78,170	0.66
After 1 to 5 years	60,239	-	3,016	-	57,223	0.75
U.S. GSEs' obligations:						
Due within one year	542,847	-	15,832	-	527,015	0.77
After 1 to 5 years	1,899,620	49	135,347	-	1,764,322	0.86
After 5 to 10 years	8,850	-	687	-	8,163	2.64
After 10 years	8,891	8	2	-	8,897	5.49
Puerto Rico government obligation:						
After 10 years <sup>(3)</sup>	3,156	-	1,346	395	1,415	-
United States and Puerto Rico government obligations	2,603,917	57	158,374	395	2,445,205	0.85
MBS:						
Residential MBS:						
FHLMC certificates:						
After 1 to 5 years	19,561	-	868	-	18,693	2.06
After 5 to 10 years	153,308	-	12,721	-	140,587	1.55
After 10 years	991,060	15	161,197	-	829,878	1.41
	1,163,929	15	174,786	-	989,158	1.44
GNMA certificates:						
Due within one year	254	-	3	-	251	3.27
After 1 to 5 years	16,882	-	872	-	16,010	1.19
After 5 to 10 years	27,916	8	2,247	-	25,677	1.62
After 10 years	206,254	87	22,786	-	183,555	2.57
	251,306	95	25,908	-	225,493	2.38
FNMA certificates:						
After 1 to 5 years	32,489	-	1,423	-	31,066	2.11
After 5 to 10 years	293,492	-	23,146	-	270,346	1.70
After 10 years	1,047,298	83	156,344	-	891,037	1.37
	1,373,279	83	180,913	-	1,192,449	1.46
CMOs issued or guaranteed by the FHLMC, FNMA, and GNMA:						
After 10 years	273,539	-	52,263	-	221,276	1.54
Private label:						
After 10 years	7,086	-	2,185	116	4,785	7.66
Total Residential MBS	3,069,139	193	436,055	116	2,633,161	1.55
Commercial MBS:						
After 1 to 5 years	45,022	-	6,898	-	38,124	2.17
After 5 to 10 years	22,386	-	2,685	-	19,701	2.16
After 10 years	122,830	-	29,037	-	93,793	1.36
Total Commercial MBS	190,238	-	38,620	-	151,618	1.64
Total MBS	3,259,377	193	474,675	116	2,784,779	1.55
Total available-for-sale debt securities	\$ 5,863,294	\$ 250	\$ 633,049	\$ 511	\$ 5,229,984	1.24

(1) Excludes accrued interest receivable on available-for-sale debt securities that \$1.6 billion as of December 31, 2023 reported as part of accrued interest receivable on loans and investment securities in consolidated statements of financial condition, and excluded from the estimate of credit risk.

(2) Includes \$77.9 million (amortized cost - \$27.2 million) that was pledged at the FHLB as collateral for borrowings and letters of credit as well as \$1.8 billion (amortized cost - \$2.2 billion) pledged as collateral for uninsured portion of government deposits. The secured parties are not permitted to sell or repledge the \$1.8 billion.

(3) Consists of a residential pass-through MBS issued by the PRHFA that is collateralized by certain second mortgages originated under a program launched by the Puerto Rico government in 2010 and is not based on the delinquency status of the underlying second mortgage loans.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

Maturities of available-for-sale debt securities are based on the period of final contractual maturity. Expected different from contractual maturities because they may be subject to prepayments and/or call options. The weighted-average-for-sale debt securities is based on amortized cost and, therefore, does not give effect to changes in fair value. Loss on available-for-sale debt securities is presented as part of accumulated other comprehensive loss in the consolidated financial condition.

The following tables present the fair value and gross unrealized losses of the Corporation's available-for-sale debt securities by investment category and length of time that individual securities have been in a continuous unrealized position as of March 31, 2024 and December 31, 2023. The tables also include debt securities for which an ACL was recorded.

	As of March 31, 2024					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In thousands)						
U.S. Treasury and U.S. GSEs' obligations	\$ 4,238	\$ 5	\$ 2,354,777	\$ 151,053	\$ 2,359,015	\$ 151,058
Puerto Rico government obligation	-	-	1,551	1,235(1)	1,551	1,235
MBS:						
Residential MBS:						
FHLMC	7	-	950,687	183,413	950,694	183,413
GNMA	3,452	20	195,424	28,907	198,876	28,927
FNMA	3,963	11	1,134,624	187,689	1,138,587	187,700
CMOs issued or guaranteed by the FHLMC, FNMA, and GNMA	-	-	211,178	53,977	211,178	53,977
Private label	-	-	4,724	2,056(1)	4,724	2,056
Commercial MBS	5,346	65	137,794	39,706	143,140	39,771
	<b>\$ 17,006</b>	<b>\$ 101</b>	<b>\$ 4,990,759</b>	<b>\$ 648,036</b>	<b>\$ 5,007,765</b>	<b>\$ 648,137</b>

(1) Unrealized losses do not include the credit loss component recorded as part of the ACL. As of March 31, 2024, the PRHFA bond and private label MBS had an ACL of \$0.1 million, respectively.

	As of December 31, 2023					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In thousands)						
U.S. Treasury and U.S. GSEs' obligations	\$ 2,544	\$ 2	\$ 2,428,784	\$ 157,026	\$ 2,431,328	\$ 157,028
Puerto Rico government obligation	-	-	1,415	1,346(1)	1,415	1,346
MBS:						
Residential MBS:						
FHLMC	9	-	988,092	174,786	988,101	174,786
GNMA	12,257	100	202,390	25,808	214,647	25,908
FNMA	-	-	1,183,275	180,913	1,183,275	180,913
CMOs issued or guaranteed by the FHLMC, FNMA, and GNMA	-	-	221,276	52,263	221,276	52,263
Private label	-	-	4,785	2,185(1)	4,785	2,185
Commercial MBS	11,370	18	140,248	38,602	151,618	38,620
	<b>\$ 26,180</b>	<b>\$ 120</b>	<b>\$ 5,170,265</b>	<b>\$ 632,929</b>	<b>\$ 5,196,445</b>	<b>\$ 633,049</b>

(1) Unrealized losses do not include the credit loss component recorded as part of the ACL. As of December 31, 2023, the PRHFA bond and private label MBS had an ACL of \$0.1 million, respectively.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**Assessment for Credit Losses**

Debt securities issued by U.S. government agencies, U.S. GSEs, and the U.S. Treasury, including notes and ~~sub~~<sup>MSB</sup> ~~held~~<sup>available</sup> for the total available-for-sale portfolio as of March 31, 2024, and the Corporation expects no credit losses on these explicit and implicit guarantees provided by the U.S. federal government. Because the ~~debt~~<sup>fair value</sup> is based on interest rates, and not credit quality, and because, as of March 31, 2024, the Corporation ~~does not have~~<sup>does not have</sup> U.S. government and agency debt securities and determined that it was likely that it will not be ~~recovered~~<sup>recovered</sup> before their anticipated recovery, the Corporation does not consider impairments on these ~~related~~<sup>related</sup> to the Corporation's credit loss assessment was concentrated mainly on private label MBS and on Puerto Rico ~~government~~<sup>for which</sup> credit losses are evaluated on a quarterly basis.

Private label MBS held as part of the Corporation's available for sale portfolio consist of trust certificates issued by an ~~party~~<sup>party</sup> ~~affiliated~~<sup>affiliated</sup> by fixed-rate, single-family residential mortgage loans in the U.S. mainland with original FICO ~~moderate~~<sup>moderate</sup> ~~700~~<sup>700</sup> variable ratios (~~under~~<sup>under</sup> 700%), as well as moderate delinquency levels. The interest rate on these private ~~variable~~<sup>variable</sup>, tied to 3-month CME Term ~~overnight~~<sup>overnight</sup> Financing Rate ("SOFR") plus a tenor spread ~~adjusted~~<sup>adjusted</sup> ~~100~~<sup>100</sup> bps and the original spread limited to the weighted-average coupon of the underlying collateral. The Corporation ~~determined~~<sup>determined</sup> the ACL based on a risk-adjusted discounted cash flow methodology that considers the structure ~~and~~<sup>and</sup> ~~instruments~~<sup>instruments</sup> of the Corporation utilized probability of default ("PDs") and loss-given default ("LGDs") that considered, ~~claims~~<sup>claims</sup> historical payment performance, loan-to-value attributes, and relevant current and forward-looking ~~variables~~<sup>variables</sup> ~~such as regional~~<sup>such as regional</sup> ~~payment~~<sup>payment</sup> rates and the housing price index. Under this approach, expected cash flows (interest ~~were~~<sup>were</sup> ~~principiated~~<sup>principiated</sup> at the U.S. Treasury yield curve as of the reporting date. See Note 17 – "Fair Value" for the significant ~~uses~~<sup>uses</sup> in the valuation of the private label MBS as of March 31, 2024 and December 31 2023.

For the residential pass-through MBS issued by the PRHFA held as part of the Corporation's available-for-sale portfolio ~~secbacked~~<sup>secbacked</sup> residential loans in Puerto Rico, the ACL was determined based on a discounted cash flow ~~methodology~~<sup>methodology</sup> structure and terms of the debt security. The expected cash flows were discounted at the U.S. Treasury ~~yield spread~~<sup>yield spread</sup> as of the reporting date and compared to the amortized cost. The Corporation utilized PDs and LGDs that ~~considered~~<sup>considered</sup> historical payment performance, loan-to-value attributes, and relevant current and forward-looking ~~variables~~<sup>variables</sup> ~~such as~~<sup>such as</sup> regional unemployment rates, the housing price index, and expected recovery from the PRHFA ~~guaranteed~~<sup>guaranteed</sup> by the government, provides a guarantee in the event of default and subsequent foreclosure of the ~~pre~~<sup>pre</sup> ~~second~~<sup>second</sup> mortgage loans. In the event that the second mortgage loans default and the collateral is ~~insufficient~~<sup>insufficient</sup> to satisfy of this residential pass-through MBS, PRHFA's ability to honor such guarantee will depend ~~factors~~<sup>factors</sup> ~~on~~<sup>on</sup> financial condition at the time such obligation becomes due and payable. Deterioration of the Puerto ~~Rico~~<sup>Rico</sup> ~~health~~<sup>health</sup> of PRHFA could impact the value of this security, resulting in additional losses to the Corporation.

The following tables present a roll-forward of the ACL on available-for-sale debt securities by major security type for ~~entire~~<sup>entire</sup> ~~quarters~~<sup>quarters</sup> 31, 2024 and 2023:

(In thousands)	Quarter Ended March 31,					
	2024			2023		
	Private label MBS	Puerto Rico Government Obligation	Total	Private label MBS	Puerto Rico Government Obligation	Total
Beginning balance	\$ 116	\$ 395	\$ 511	\$ 83	\$ 375	\$ 458
Provision for credit losses – benefit	-	( 69 )	( 69 )	-	( 9 )	( 9 )
ACL on available-for-sale debt securities	\$ 116	\$ 326	\$ 442	\$ 83	\$ 366	\$ 449

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**Held-to-Maturity Debt Securities**

The amortized cost, gross unrecognized gains and losses, estimated fair value, ACL, weighted-average yield maturing on held-to-maturity debt securities as of March 31, 2024 and December 31, 2023 were as follows:

(Dollars in thousands)	March 31, 2024						Weighted-average yield%	
	Amortized cost <sup>(2)</sup>	Gross Unrecognized		Fair value	ACL			
		Gains	Losses					
Puerto Rico municipal bonds:								
Due within one year	\$ 3,172	\$ 4	\$ 16	\$ 3,160	\$ 36	9.30		
After 1 to 5 years	51,327	713	831	51,209	460	7.74		
After 5 to 10 years	36,034	3,135	257	38,912	450	7.06		
After 10 years	16,595	23	16	16,602	289	8.81		
Total Puerto Rico municipal bonds	<u>107,128</u>	<u>3,875</u>	<u>1,120</u>	<u>109,883</u>	<u>1,235</u>	<u>7.72</u>		
MBS:								
Residential MBS:								
FHLMC certificates:								
After 5 to 10 years	15,337	-	626	14,711	-	3.03		
After 10 years	18,165	-	1,025	17,140	-	4.33		
	<u>33,502</u>	<u>-</u>	<u>1,651</u>	<u>31,851</u>	<u>-</u>	<u>3.74</u>		
GNMA certificates:								
After 10 years	15,649	-	910	14,739	-	3.30		
FNMA certificates:								
After 10 years	66,109	-	3,504	62,605	-	4.18		
CMOs issued or guaranteed by FHLMC, FNMA, and GNMA:								
After 10 years	27,417	-	1,584	25,833	-	3.49		
Total Residential MBS	<u>142,677</u>	<u>-</u>	<u>7,649</u>	<u>135,028</u>	<u>-</u>	<u>3.85</u>		
Commercial MBS:								
After 1 to 5 years	9,397	-	334	9,063	-	3.48		
After 10 years	90,128	-	5,982	84,146	-	3.15		
Total Commercial MBS	<u>99,525</u>	<u>-</u>	<u>6,316</u>	<u>93,209</u>	<u>-</u>	<u>3.18</u>		
Total MBS	<u>242,202</u>	<u>-</u>	<u>13,965</u>	<u>228,237</u>	<u>-</u>	<u>3.57</u>		
Total held-to-maturity debt securities	<u>\$ 349,330</u>	<u>\$ 3,875</u>	<u>\$ 15,085</u>	<u>\$ 338,120</u>	<u>\$ 1,235</u>	<u>4.85</u>		

(1) Excludes accrued interest receivable on held-to-maturity debt securities that total \$1.2 billion as of March 31, 2024 reported as part of accrued interest receivable on loans and investment securities in the statements of financial condition, and excluded from the estimate of credit consolidated

(2) Excludes \$126.2 million (fair value - \$125.5 million) that serves as collateral for the uninsured portion of government deposits. The secured parties are not permitted to sell or repledge the collateral.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

(Dollars in thousands)	December 31, 2023						Weighted-average yield%
	Amortized cost <sup>(2)</sup>	Gross Unrecognized		Fair value	ACL		
	Gains	Losses	Fair value	ACL			
Puerto Rico municipal bonds:							
Due within one year	\$ 3,165	\$ 8	\$ 38	\$ 3,135	\$ 50	9.30	
After 1 to 5 years	51,230	994	710	51,514	1,266	7.78	
After 5 to 10 years	36,050	3,540	210	39,380	604	7.13	
After 10 years	16,595	269	-	16,864	277	8.87	
Total Puerto Rico municipal bonds	<u>107,040</u>	<u>4,811</u>	<u>958</u>	<u>110,893</u>	<u>2,197</u>	<u>7.78</u>	
MBS:							
Residential MBS:							
FHLMC certificates:							
After 5 to 10 years	16,469	-	556	15,913	-	3.03	
After 10 years	18,324	-	714	17,610	-	4.32	
	<u>34,793</u>	<u>-</u>	<u>1,270</u>	<u>33,523</u>	<u>-</u>	<u>3.71</u>	
GNMA certificates:							
After 10 years	16,265	-	789	15,476	-	3.32	
FNMA certificates:							
After 10 years	67,271	-	2,486	64,785	-	4.18	
CMOs issued or guaranteed by FHLMC, FNMA, and GNMA:							
After 10 years	28,139	-	1,274	26,865	-	3.49	
Total Residential MBS	<u>146,468</u>	<u>-</u>	<u>5,819</u>	<u>140,649</u>	<u>-</u>	<u>3.84</u>	
Commercial MBS:							
After 1 to 5 years	9,444	-	297	9,147	-	3.48	
After 10 years	91,226	-	5,783	85,443	-	3.15	
Total Commercial MBS	<u>100,670</u>	<u>-</u>	<u>6,080</u>	<u>94,590</u>	<u>-</u>	<u>3.18</u>	
Total MBS	<u>247,138</u>	<u>-</u>	<u>11,899</u>	<u>235,239</u>	<u>-</u>	<u>3.57</u>	
Total held-to-maturity debt securities	<u>\$ 354,178</u>	<u>\$ 4,811</u>	<u>\$ 12,857</u>	<u>\$ 346,132</u>	<u>\$ 2,197</u>	<u>4.84</u>	

(1) Excludes accrued interest receivable on held-to-maturity debt securities that ~~total~~ \$126.6 million as of December 31, 2023 reported as part of accrued interest receivable on loans and investment securities in consolidated statements of financial condition, and excluded from the estimate of ~~pledged~~

(2) ~~Secures~~ \$126.6 million (fair value - \$125.9 million) that serves as collateral for the uninsured portion of government deposits. The secured parties are not permitted to sell or repledge the collateral.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following tables present the Corporation's held-to-maturity debt securities' fair value and gross aggregated by debt security, and length of time that individual securities had been in a continuous unrecognized loss position, as of December 31, 2024 and December 31, 2023, including debt securities for which an ACL was recorded:

(In thousands)	As of March 31, 2024					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
Puerto Rico municipal bonds	\$ -	\$ -	\$ 31,125	\$ 1,120	\$ 31,125	\$ 1,120
MBS:						
Residential MBS:						
FHLMC certificates	- - -	- - -	31,851	1,651	31,851	1,651
GNMA certificates	- - -	- - -	14,739	910	14,739	910
FNMA certificates	- - -	- - -	62,605	3,504	62,605	3,504
CMOs issued or guaranteed by FHLMC, FNMA, and GNMA	- - -	- - -	25,833	1,584	25,833	1,584
Commercial MBS	- - -	- - -	93,209	6,316	93,209	6,316
Total held-to-maturity debt securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,362</u>	<u>\$ 15,085</u>	<u>\$ 259,362</u>	<u>\$ 15,085</u>

(In thousands)	As of December 31, 2023					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses	Fair Value	Unrecognized Losses
Puerto Rico municipal bonds	\$ - - -	\$ - - -	\$ 34,682	\$ 958	\$ 34,682	\$ 958
MBS:						
Residential MBS:						
FHLMC certificates	- - -	- - -	33,523	1,270	33,523	1,270
GNMA certificates	- - -	- - -	15,476	789	15,476	789
FNMA certificates	- - -	- - -	64,785	2,486	64,785	2,486
CMOs issued or guaranteed by FHLMC, FNMA, and GNMA	- - -	- - -	26,865	1,274	26,865	1,274
Commercial MBS	- - -	- - -	94,590	6,080	94,590	6,080
Total held-to-maturity debt securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,921</u>	<u>\$ 12,857</u>	<u>\$ 269,921</u>	<u>\$ 12,857</u>

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The Corporation classifies the held-to-maturity debt securities portfolio into the following major security types: ~~under MBS in its collateral and Puerto Rico municipal bonds. The Corporation does not recognize an ACL for MBS issued by GSEs since they are highly rated by major rating agencies and have a long history of no credit losses. In the case of Puerto Rico municipal bonds, the ACL based on the product of a cumulative PD and LGD, and the amortized cost basis of the bonds using expected life as described in Note 1 – “Nature of Business and Summary of Significant Accounting Policies” statements included in the 2023 Annual Report on Form 10-K.~~

The Corporation performs periodic credit quality reviews on these issuers. All of the Puerto Rico municipal bonds scheduled to make payments as of March 31, 2024. The ACL of Puerto Rico municipal bonds decreased ~~as of December 31, 2023, from \$2.2 million as of December 31, 2023, mostly related to updated financial information of a bond issuer received quarter of 2024 during the first~~

The following tables present the activity in the ACL for held-to-maturity debt securities by major security type ~~for the months of March 2024 and 2023:~~

<b>Puerto Rico Municipal Bonds</b>		
<b>Quarter Ended March 31,</b>		
	<b>2024</b>	<b>2023</b>
(In thousands)		
Beginning balance	\$ 2,197	\$ 8,286
Provision for credit losses – benefit	( 962 )	( 640 )
ACL on held-to-maturity debt securities	<u>1,235</u>	<u>7,646</u>

During the second quarter of 2019, the oversight board established by PROMESA announced the designation of municipalities covered instrumentalities under PROMESA. Municipalities may be affected by the negative ~~economic results with other expense, revenue, or cash management measures taken by the Puerto Rico government to address its fiscal situation included in its fiscal plan or fiscal plans of other government entities. Given the inherent fiscal situation of the Puerto Rico central government and the measures taken, or to be taken, by other government entities to respond to fiscal challenges, the Corporation cannot be certain whether future charges to the ACL on these instrumentalities will be~~

From time to time, the Corporation has held-to-maturity securities with an original maturity of three months ~~consisted of cash and cash equivalents and are classified as money market investments in the consolidated statements as of March 31, 2024 and December 31, 2023, the Corporation holding held-to-maturity securities that were~~

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**Credit Quality Indicators:**

The held-to-maturity debt securities portfolio consisted of GSEs' MBS and financing arrangements with Puerto Rico issued municipal bonds. As previously mentioned, the Corporation expects no credit losses on GSEs MBS. The Puerto Rico municipal bonds accounted for as securities but are underwritten as loans with features that are typically found in accordance with the Corporation monitors the credit quality of these municipal bonds through the use of internal credit-risk ratings, which are updated on a quarterly basis. The Corporation considers a municipal bond as a criticized asset if its risk rating is Standard, Doubtful, or Loss. Puerto Rico municipal bonds that do not meet the criteria for classification as standard Pass-rated securities. For the definitions of the internal-credit ratings, see Note 3 – "Debt Securities" in the consolidated financial statements included in the 2023 Annual Report on Form 10-K.

The Corporation periodically reviews its Puerto Rico municipal bonds to evaluate if they are properly classified, credit losses on these securities. The frequency of these reviews will depend on the amount of the aggregate outstanding debt and the classification of the obligor.

The Corporation has a Loan Review Group that reports directly to the Corporation's Risk Management Committee and the Chief Risk Officer. The Loan Review Group performs annual comprehensive credit process reviews on the Bank's commercial loan portfolios, including the above-mentioned Puerto Rico municipal bonds accounted for as held-to-maturity. The objective of these loan reviews is to assess accuracy of the Bank's determination and maintenance of adherence to lending policies, practices and procedures. The monitoring performed by this group assessment to the compliance with credit policies and underwriting standards, the determination of the current level of fraud risk, the effectiveness of the credit management process, and the identification of any deficiency that may arise in the lending process. Based on its findings, the Loan Review Group recommends corrective actions, if necessary, that help in maintaining the credit process. The Loan Review Group reports the results of the credit process reviews to the Risk Management Committee.

As of March 31, 2024 and December 31, 2023, all Puerto Rico municipal bonds classified as held-to-maturity were classified as Pass.

No held-to-maturity debt securities were on nonaccrual status, 90 days past due and still accruing, or past due as of December 31, 2023. A security is considered to be past due once it is 30 days contractually past due under the terms of the agreement.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 3 – LOANS HELD FOR INVESTMENT**

The following table provides information about the loan portfolio held for investment by portfolio segment and geographic ~~geographic~~ as of the indicated dates:

	<b>As of March 31, 2024</b>	<b>As of December 31, 2023</b>
(In thousands)		
<b>Puerto Rico and Virgin Islands region:</b>		
Residential mortgage loans, mainly secured by first mortgages	\$ 2,327,240	\$ 2,356,006
Construction loans	147,624	115,401
Commercial mortgage loans	1,769,247	1,790,637
Commercial and Industrial ("C&I loans")	2,289,999	2,249,408
Consumer loans	3,674,220	3,651,770
<b>Loans held for investment</b>	<b>\$ 10,208,330</b>	<b>\$ 10,163,222</b>
<b>Florida region:</b>		
Residential mortgage loans, mainly secured by first mortgages	\$ 474,347	\$ 465,720
Construction loans	89,664	99,376
Commercial mortgage loans	592,484	526,446
C&I loans	940,996	924,824
Consumer loans	5,627	5,895
<b>Loans held for investment</b>	<b>\$ 2,103,118</b>	<b>\$ 2,022,261</b>
<b>Total:</b>		
Residential mortgage loans, mainly secured by first mortgages	\$ 2,801,587	\$ 2,821,726
Construction loans	237,288	214,777
Commercial mortgage loans	2,361,731	2,317,083
C&I loans <sup>(1)</sup>	3,230,995	3,174,232
Consumer loans	3,679,847	3,657,665
<b>Loans held for investment</b>	<b>\$ 12,311,448</b>	<b>\$ 12,185,483</b>
ACL on loans and finance leases	( 263,592 )	( 261,843 )
<b>Loans held for investment, net</b>	<b>\$ 12,047,856</b>	<b>\$ 11,923,640</b>

(1) As of March 31, 2024 and December 31, 2023, include \$100 million and \$787.5 million, respectively, of commercial loans that were secured by real property for which the primary source of repayment at origination was not dependent on such real estate.

(2) Includes accretable fair value net purchase discount \$23.7 million and \$24.7 million as of March 31, 2024 and December 31, 2023, respectively.

Various loans were assigned as collateral for borrowings, government deposits, time deposits accounts, ~~commitments~~ The carrying value of loans pledged as collateral amounted to \$1.6 billion and \$1.6 billion as of March 31, 2024 and December 31, 2023, respectively. As of each of March 31, 2024 and December 31, 2023, loans pledged as 1.8 billion ~~that were~~ pledged at the FHLB as collateral for borrowings and letters of credit that were pledged at the Discount Window as collateral for borrowings, compared to \$1.5 billion as of December 31, 2023; \$1.2 billion serve as collateral for the uninsured portion of government deposits, compared to \$0.9 billion as of December 31, 2023 as

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The Corporation's aging of the loan portfolio held for investment, as well as information about nonaccrual loans with portfolio classes as of March 31, 2024 and December 31, 2023 are as follows:

**As of March 31, 2024**

	Days Past Due and Accruing						Nonaccrual Loans with no ACL <sup>(5)</sup>
	Current	30-59	60-89	90+ (1)(2)(3)	Nonaccrual (4)	Total loans held for investment	
(in thousands)							
Residential mortgage loans, mainly secured by first mortgages:							
FHA/VA government-guaranteed loans <sup>(1)(3)(6)</sup>	\$ 69,170	\$ -	\$ 2,220	\$ 28,265	\$ -	\$ 99,655	\$ -
Conventional residential mortgage loans <sup>(2)(6)</sup>	2,628,748	-	30,195	10,304	32,685	2,701,932	1,700
Commercial loans:							
Construction loans	233,506	-	-	2,284	1,498	237,288	971
Commercial mortgage loans <sup>(2)(6)</sup>	2,347,395	708	713	939	11,976	2,361,731	6,865
C&I loans	3,194,816	3,134	149	7,829	25,067	3,230,995	1,644
Consumer loans:							
Auto loans	1,880,077	49,811	9,056	-	15,132	1,954,076	388
Finance leases	852,320	14,312	2,551	-	2,744	871,927	87
Personal loans	368,984	5,624	2,887	-	2,030	379,525	-
Credit cards	306,767	4,760	3,641	7,894	-	323,062	-
Other consumer loans	145,519	2,361	1,544	-	1,833	151,257	7
Total loans held for investment	<u>\$ 12,027,302</u>	<u>\$ 80,710</u>	<u>\$ 52,956</u>	<u>\$ 57,515</u>	<u>\$ 92,965</u>	<u>\$ 12,311,448</u>	<u>\$ 11,662</u>

(1) It is the Corporation's policy to report delinquent Federal Housing Authority ("FHA")/U.S. Department of Veterans Affairs ("VA") government-guaranteed residential mortgage loans as past-due loans ~~existing and exposed~~ to nonaccrual loans. The Corporation continues accruing interest on these loans until they have passed the 15 months delinquency mark, taking into consideration the FHA ~~present-cumulative~~ balances include \$7 million of residential mortgage loans guaranteed by the FHA that were over 15 months delinquent as of March

(2) ~~includes purchased credit deteriorated (PCD) loans previously accounted for under ASC Subtopic 310-30 for which the Corporation made the accounting policy election of maintaining pools of loans accounts both at the time of adoption of CECL on January 1, 2020 and on an ongoing basis for credit loss measurement. These loans will continue to be excluded from nonaccrual loan statistics as Corporation can reasonably estimate the timing and amount of cash flows expected to be collected on the loan pools. The portion of such loans contractually past due 90 days or more as of March 31, 2024 (\$7 million conventional residential mortgage loans and \$9 million commercial mortgage loans), is presented in the loans past due 90 days or more and still accruing category in the table~~

(3) ~~Includes rebooked loans, which were previously pooled into Government National Mortgage Association ("GNMA") securities, amounting to \$10 million as of March 31, 2024. Under the GNMA program, Corporation has the option but not the obligation to repurchase loans that meet GNMA's specified delinquency criteria. For accounting purposes, these loans subject to the repurchase option are ~~on the balance sheet~~ presented with an offsetting~~

(4) ~~Nonaccrual loans in the Florida region amounted to \$0 million as of March 31, 2024, primarily nonaccrual C&I and residential mortgage loans.~~

(5) ~~There were \$0 nonaccrual loans with no ACL in the Florida region as of March 31, 2024.~~

(6) According to the Corporation's delinquency policy and consistent with the instructions for the preparation of the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) required by the Federal Reserve, residential mortgage, commercial mortgage, and construction loans are considered past due when the borrower is in arrears on two or more monthly payments. FHA/VA government-guaranteed loans, residential mortgage loans, and commercial mortgage loans past due 30-59 days, but less than two payments in arrears, as of March 31, 2024 amounted to \$6.7 million and \$1.9 million, respectively.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

As of December 31, 2023

	Days Past Due and Accruing						Nonaccrual Loans with no ACL <sup>(5)</sup>	
	Current	30-59	60-89	90+ (1)(2)(3)	Nonaccrual (4)	Total loans held for investment		
(In thousands)								
Residential mortgage loans, mainly secured by first mortgages:								
FHA/VA government-guaranteed loans <sup>(3)(6)</sup>	\$ 68,332	\$ -	\$ 2,592	\$ 29,312	\$ -	\$ 100,236	\$ -	
Conventional residential mortgage loans <sup>(6)</sup>	2,644,344	-	33,878	11,029	32,239	2,721,490	1,742	
Commercial loans:								
Construction loans	210,911	-	-	2,297	1,569	214,777	972	
Commercial mortgage loans <sup>(3)(6)</sup>	2,303,753	17	-	1,108	12,205	2,317,083	2,536	
C&I loans	3,148,254	1,130	1,143	8,455	15,250	3,174,232	1,687	
Consumer loans:								
Auto loans	1,846,652	60,283	13,753	-	15,568	1,936,256	4	
Finance leases	837,881	13,786	1,861	-	3,287	856,815	12	
Personal loans	370,746	5,873	2,815	-	1,841	381,275	-	
Credit cards	313,360	5,012	3,589	7,251	-	329,212	-	
Other consumer loans	147,278	3,084	1,997	-	1,748	154,107	-	
Total loans held for investment	<u>\$ 11,891,511</u>	<u>\$ 89,185</u>	<u>\$ 61,628</u>	<u>\$ 59,452</u>	<u>\$ 83,707</u>	<u>\$ 12,185,483</u>	<u>\$ 6,953</u>	

(1) It is the Corporation's policy to report delinquent FHA/VA government-guaranteed residential mortgage loans as past-due loans 90 days and still accruing as opposed to nonaccrual loans. The Corporation continues to report these loans until they have passed the 15 months delinquency mark, taking into consideration the FHA interest curtailment process. These loans are included in residential mortgage loans guaranteed by the FHA that were over 15 months delinquent as of December 31, 2023.

(2) Includes PCD loans previously accounted for under ASC Subtopic 310-30 for which the Corporation made the accounting policy election of maintaining pools of loans as "units of account" both at the origination and at the time of cash flows expected to be collected on the loan pools. The portion of such loans contractually past due 90 days or more, as of December 31, 2023, 2.4 million conventional residential mortgage loans and 9 million commercial mortgage loans, is presented in the loans past due 90 days or more and still accruing category in the table.

(3) Includes rebooked loans, which were previously pooled into GNMA securities, amounting to \$0.9 million as of December 31, 2023. Under the GNMA program, the Corporation has the option but not the repurchase loans that meet GNMA's specified delinquency criteria. For accounting purposes, these loans subject to the repurchase option are required to be reflected on the financial statements with a loss offsetting.

(4) Nonaccrual loans in the Florida region amounted to \$0 million as of December 31, 2023, primarily nonaccrual residential mortgage loans and C&I.

(5) There were no nonaccrual loans with no ACL in the Florida region as of December 31, 2023.

(6) According to the Corporation's delinquency policy and consistent with the instructions for the preparation of the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) required by the Federal Reserve Board, residential mortgage, commercial mortgage, and construction loans are considered past due when the borrower is in arrears on two or more monthly payments. FHA/VA government-guaranteed residential mortgage loans, and commercial mortgage loans past due 30-59 days, but less than two payments in arrears, as of December 31, 2023 amounted to \$0.9 million, and 1.1 million, respectively.

When a loan is placed in nonaccrual status, any accrued but uncollected interest income is reversed and no interest is recognized on the principal of any net deferred fees is suspended. The amount of accrued interest reversed against total interest income and \$0.6 million for the quarters ended March 31, 2024 and 2023, respectively. For the quarters ended 2024 and 2023, the cash interest income recognized on nonaccrual loans amounted to \$0.6 million and \$0.5 million, respectively.

As of March 31, 2024, the recorded investment on residential mortgage loans collateralized by residential real estate were primarily in the process of foreclosure amounted to \$1.07 billion, including \$1.48 million of FHA/VA government-guaranteed loans, and \$53 million of PCD loans acquired prior to the adoption, on January 1, 2020, of CECL. The Corporation foreclosure procedures on residential real estate loans when a borrower 120 days delinquent. Foreclosure procedures timelines vary depending on whether the property is located in a judicial and non-judicial state. Occasionally, due to legal issues, other reasons, mandatory mediations, bankruptcy, court delays, and title issues.

**Credit Quality Indicators:**

The Corporation categorizes loans into risk categories based on relevant information about the ability of the borrower to service financial information, historical payment experience, credit documentation, public information, and current trends, among other factors. The Corporation analyzes non-homogeneous loans, such as commercial mortgage C&I loans, individually to classify the loans' credit risk. As mentioned above, the Corporation periodically reviews construction loans to evaluate if they are properly classified. The frequency of these reviews will depend on aggregate outstanding debt, and the risk rating classification of the obligor. In addition, during the review period of applicable credit facilities, the Corporation evaluates the corresponding loan grades. The Corporation definitive same risk ratings as those described for Puerto Rico municipal bonds accounted for as held-to-maturity debt securities in Item 3 – "Debt Securities," to the audited consolidated financial statements included in the 2023 Annual Report on Form

For residential mortgage and consumer loans, the Corporation evaluates credit quality based on its interest accrual status.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

Based on the most recent analysis performed, the amortized cost of commercial and construction loans by portfolio origination and by based on the internal credit-risk category as of March 31, 2024, the gross charge-offs for the quarter 2024 by portfolio classes and by origination year, and the amortized cost of commercial and construction loans by based on the internal credit-risk category as of December 31, 2023, were as follows:

Puerto Rico and Virgin Islands Regions	As of March 31, 2024						As of December 31, 2023	
	Term Loans Amortized Cost Basis by Origination <sup>(1)</sup>							
	Year						Revolving Loans Amortized Cost Basis	Total
(In thousands)	2024	2023	2022	2021	2020	Prior		Total
<b>CONSTRUCTION</b>								
Risk								
Ratings: Pass	\$ 9,399	\$ 72,010	\$ 40,926	\$ 16,381	\$ -	\$ 3,463	\$ -	\$ 142,179
Criticized:								
Special	-	-	3,300	-	-	-	-	3,300
Mention	-	-	-	-	-	2,145	-	2,145
Substandard	-	-	-	-	-	-	-	2,231
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total construction loans	<u>\$ 9,399</u>	<u>\$ 72,010</u>	<u>\$ 44,226</u>	<u>\$ 16,381</u>	<u>\$ -</u>	<u>\$ 5,608</u>	<u>\$ -</u>	<u>\$ 147,624</u>
Charge-offs on construction loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>COMMERCIAL MORTGAGE</b>								
Risk								
Ratings: Pass	\$ 17,540	\$ 175,084	\$ 378,258	\$ 133,512	\$ 316,526	\$ 573,570	\$ 3,746	\$ 1,598,236
Criticized:								
Special	-	-	4,344	-	30,169	111,231	-	145,744
Mention	-	-	121	-	-	25,146	-	25,267
Substandard	-	-	-	-	-	-	-	25,607
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total commercial mortgage loans	<u>\$ 17,540</u>	<u>\$ 175,084</u>	<u>\$ 382,723</u>	<u>\$ 133,512</u>	<u>\$ 346,695</u>	<u>\$ 709,947</u>	<u>\$ 3,746</u>	<u>\$ 1,769,247</u>
Charge-offs on commercial mortgage loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>C&amp;I</b>								
Risk								
Ratings: Pass	\$ 64,966	\$ 417,434	\$ 293,367	\$ 145,486	\$ 153,380	\$ 373,156	\$ 742,557	\$ 2,190,346
Criticized:								
Special	-	538	-	10,981	-	664	52,736	64,919
Mention	403	1	-	3,784	580	28,693	1,273	34,734
Substandard	-	-	-	-	-	-	-	35,093
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total C&I loans	<u>\$ 65,369</u>	<u>\$ 417,973</u>	<u>\$ 293,367</u>	<u>\$ 160,251</u>	<u>\$ 153,960</u>	<u>\$ 402,513</u>	<u>\$ 796,566</u>	<u>\$ 2,289,999</u>
Charge-offs on C&I loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ 152</u>

(1) Excludes accrued interest receivable.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

Florida Region	As of March 31, 2024							As of December 31, 2023	
	Term Loans								
	Amortized Cost Basis by Origination <sup>(1)</sup>								
Year	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total	Total
(In thousands)									
<b>CONSTRUCTION</b>									
Risk Ratings: Pass	\$ -	\$ 1,592	\$ 37,231	\$ 39,360	\$ -	\$ -	\$ 11,481	\$ 89,664	\$ 99,376
Criticized:	-	-	-	-	-	-	-	-	-
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total construction loans	<u>\$ -</u>	<u>\$ 1,592</u>	<u>\$ 37,231</u>	<u>\$ 39,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,481</u>	<u>\$ 89,664</u>	<u>\$ 99,376</u>
Charge-offs on construction loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>COMMERCIAL MORTGAGE</b>									
Risk Ratings: Pass	\$ 39,429	\$ 28,979	\$ 189,840	\$ 63,181	\$ 39,557	\$ 187,173	\$ 24,621	\$ 572,780	\$ 525,453
Criticized:	-	-	12,355	-	-	6,356	-	18,711	-
Special Mention	-	-	-	-	993	-	-	993	993
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total commercial mortgage loans	<u>\$ 39,429</u>	<u>\$ 28,979</u>	<u>\$ 202,195</u>	<u>\$ 63,181</u>	<u>\$ 40,550</u>	<u>\$ 193,529</u>	<u>\$ 24,621</u>	<u>\$ 592,484</u>	<u>\$ 526,446</u>
Charge-offs on commercial mortgage loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>C&amp;I</b>									
Risk Ratings: Pass	\$ 31,037	\$ 143,301	\$ 227,770	\$ 184,808	\$ 54,357	\$ 125,159	\$ 149,521	\$ 915,953	\$ 879,195
Criticized:	-	-	-	-	-	11,657	-	11,657	42,046
Special Mention	-	-	-	-	-	11,808	-	11,808	3,583
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	1,578	-	1,578	-
Loss	-	-	-	-	-	-	-	-	-
Total C&I loans	<u>\$ 31,037</u>	<u>\$ 143,301</u>	<u>\$ 227,770</u>	<u>\$ 184,808</u>	<u>\$ 54,357</u>	<u>\$ 150,202</u>	<u>\$ 149,521</u>	<u>\$ 940,996</u>	<u>\$ 924,824</u>
Charge-offs on C&I loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ 259</u>	<u>\$ 307</u>	
(Excludes accrued interest receivable.)									

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

Total	As of March 31, 2024						As of December 31, 2023	
	Term Loans							
	Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	(1)							
(In thousands)		2024	2023	2022	2021	2020	Prior	Total
<b>CONSTRUCTION</b>								
Risk Ratings:								
Pass	\$ 9,399	\$ 73,602	\$ 78,157	\$ 55,741	\$ -	\$ 3,463	\$ 11,481	\$ 231,843
Criticized:								
Special Mention	-	-	3,300	-	-	-	-	3,300
Substandard	-	-	-	-	-	2,145	-	2,145
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total construction loans	<u>\$ 9,399</u>	<u>\$ 73,602</u>	<u>\$ 81,457</u>	<u>\$ 55,741</u>	<u>\$ -</u>	<u>\$ 5,608</u>	<u>\$ 11,481</u>	<u>\$ 237,288</u>
Charge-offs on construction loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>COMMERCIAL MORTGAGE</b>								
Risk Ratings:								
Pass	\$ 56,969	\$ 204,063	\$ 568,098	\$ 196,693	\$ 356,083	\$ 760,743	\$ 28,367	\$ 2,171,016
Criticized:								
Special Mention	-	-	16,699	-	30,169	117,587	-	164,455
Substandard	-	-	121	-	993	25,146	-	26,260
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total commercial mortgage loans	<u>\$ 56,969</u>	<u>\$ 204,063</u>	<u>\$ 584,918</u>	<u>\$ 196,693</u>	<u>\$ 387,245</u>	<u>\$ 903,476</u>	<u>\$ 28,367</u>	<u>\$ 2,361,731</u>
Charge-offs on commercial mortgage loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>C&amp;I</b>								
Risk Ratings:								
Pass	\$ 96,003	\$ 560,735	\$ 521,137	\$ 330,294	\$ 207,737	\$ 498,315	\$ 892,078	\$ 3,106,299
Criticized:								
Special Mention	-	538	-	10,981	-	12,321	52,736	76,576
Substandard	403	1	-	3,784	580	40,501	1,273	46,542
Doubtful	-	-	-	-	-	1,578	-	1,578
Loss	-	-	-	-	-	-	-	-
Total C&I loans	<u>\$ 96,406</u>	<u>\$ 561,274</u>	<u>\$ 521,137</u>	<u>\$ 345,059</u>	<u>\$ 208,317</u>	<u>\$ 552,715</u>	<u>\$ 946,087</u>	<u>\$ 3,230,995</u>
Charge-offs on C&I loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ 411</u>	<u>\$ 459</u>

(1) Excludes accrued interest receivable.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following tables present the amortized cost of residential mortgage loans by portfolio classes and by origination accrual status as of March 31, 2024, the gross charge-offs for the quarter ended March 31, 2024 by origination year, and lost amortized mortgage loans by portfolio classes based on accrual status as of December 31, 2023:

	As of March 31, 2024						As of December 31, 2023	
	Term Loans						Revolving Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination <sup>(1)</sup>							
	Year	2024	2023	2022	2021	2020	Prior	
(In thousands)								
<b>Puerto Rico and Virgin Islands</b>								
Regions:								
FHA/VA government-guaranteed loans								
Accrual Status:								
Performing	\$ -	\$ 615	\$ 676	\$ 1,368	\$ 638	\$ 95,657	\$ -	\$ 98,954
Non-Performing								
Total FHA/VA government-guaranteed loans	\$ -	\$ 615	\$ 676	\$ 1,368	\$ 638	\$ 95,657	\$ -	\$ 98,954
Conventional residential mortgage loans								
Accrual Status:								
Performing	\$ 30,350	\$ 170,121	\$ 161,045	\$ 66,738	\$ 28,955	\$ 1,746,863	\$ -	\$ 2,204,072
Non-Performing								
Total conventional residential mortgage loans	\$ 30,350	\$ 170,121	\$ 161,113	\$ 66,738	\$ 28,955	\$ 1,771,009	\$ -	\$ 2,228,286
Total								
Accrual Status:								
Performing	\$ 30,350	\$ 170,736	\$ 161,721	\$ 68,106	\$ 29,593	\$ 1,842,520	\$ -	\$ 2,303,026
Non-Performing								
Total residential mortgage loans	\$ 30,350	\$ 170,736	\$ 161,789	\$ 68,106	\$ 29,593	\$ 1,866,666	\$ -	\$ 2,327,240
Charge-offs on residential mortgage loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 516	\$ -	\$ 516
(1) <small>Excludes accrued interest receivable.</small>								

	As of March 31, 2024						As of December 31, 2023	
	Term Loans						Revolving Loans Amortized Cost Basis	Total
	Amortized Cost Basis by Origination <sup>(1)</sup>							
	Year	2024	2023	2022	2021	2020	Prior	
(In thousands)								
<b>Florida Region:</b>								
FHA/VA government-guaranteed loans								
Accrual Status:								
Performing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 701	\$ -	\$ 701
Non-Performing								
Total FHA/VA government-guaranteed loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 701	\$ -	\$ 701
Conventional residential mortgage loans								
Accrual Status:								
Performing	\$ 18,525	\$ 88,674	\$ 76,967	\$ 44,602	\$ 28,939	\$ 207,468	\$ -	\$ 465,175
Non-Performing								
Total conventional residential mortgage loans	\$ 18,525	\$ 88,674	\$ 77,215	\$ 44,602	\$ 28,939	\$ 215,691	\$ -	\$ 473,646
Total								
Accrual Status:								
Performing	\$ 18,525	\$ 88,674	\$ 76,967	\$ 44,602	\$ 28,939	\$ 208,169	\$ -	\$ 465,876
Non-Performing								
Total residential mortgage loans	\$ 18,525	\$ 88,674	\$ 77,215	\$ 44,602	\$ 28,939	\$ 216,392	\$ -	\$ 474,347
Charge-offs on residential mortgage loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(1) <small>Excludes accrued interest receivable.</small>								

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

	As of March 31, 2024						As of December 31, 2023		
	Term Loans Amortized Cost Basis by Origination <sup>(1)</sup>								
	Year	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
(In thousands)									
<b>Total:</b>									
FHA/VA government-guaranteed loans									
Accrual Status:									
Performing	\$ -	\$ 615	\$ 676	\$ 1,368	\$ 638	\$ 96,358	\$ -	\$ 99,655	\$ 100,236
Non-Performing	-	-	-	-	-	-	-	-	-
Total FHA/VA government-guaranteed loans	<u>\$ -</u>	<u>\$ 615</u>	<u>\$ 676</u>	<u>\$ 1,368</u>	<u>\$ 638</u>	<u>\$ 96,358</u>	<u>\$ -</u>	<u>\$ 99,655</u>	<u>\$ 100,236</u>
Conventional residential mortgage loans									
Accrual Status:									
Performing	\$ 48,875	\$ 258,795	\$ 238,012	\$ 111,340	\$ 57,894	\$ 1,954,331	\$ -	\$ 2,669,247	\$ 2,689,251
Non-Performing	-	-	316	-	-	32,369	-	32,685	32,239
Total conventional residential mortgage loans	<u>\$ 48,875</u>	<u>\$ 258,795</u>	<u>\$ 238,328</u>	<u>\$ 111,340</u>	<u>\$ 57,894</u>	<u>\$ 1,986,700</u>	<u>\$ -</u>	<u>\$ 2,701,932</u>	<u>\$ 2,721,490</u>
Total									
Accrual Status:									
Performing	\$ 48,875	\$ 259,410	\$ 238,688	\$ 112,708	\$ 58,532	\$ 2,050,689	\$ -	\$ 2,768,902	\$ 2,789,487
Non-Performing	-	-	316	-	-	32,369	-	32,685	32,239
Total residential mortgage loans	<u>\$ 48,875</u>	<u>\$ 259,410</u>	<u>\$ 239,004</u>	<u>\$ 112,708</u>	<u>\$ 58,532</u>	<u>\$ 2,083,058</u>	<u>\$ -</u>	<u>\$ 2,801,587</u>	<u>\$ 2,821,726</u>
Charge-offs on residential mortgage loans									
(1) Excludes accrued interest receivable.									

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following tables present the amortized cost of consumer loans by portfolio classes and by origination year as of March 31, 2024, the gross charge-offs for the quarter ended March 31, 2024 by portfolio classes and by origination year, and the amortized cost of consumer loans by portfolio classes based on accrual status as of December 31, 2023:

	As of March 31, 2024							As of December 31, 2023	
	Term Loans						Revolving Loans Amortized Cost Basis	Total	Total
	Amortized Cost Basis by Origination <sup>(1)</sup>								
	Year	2024	2023	2022	2021	2020	Prior		
(In thousands)									
<b>Puerto Rico and Virgin Islands</b>									
<b>Regions</b>									
Auto loans									
Accrual Status:									
Performing	\$ 161,277	\$ 598,793	\$ 498,696	\$ 354,754	\$ 161,557	\$ 163,146	\$ -	\$ 1,938,223	\$ 1,919,583
Non-Performing	-	3,437	3,664	2,810	1,374	3,842	-	15,127	15,556
Total auto loans	<u>\$ 161,277</u>	<u>\$ 602,230</u>	<u>\$ 502,360</u>	<u>\$ 357,564</u>	<u>\$ 162,931</u>	<u>\$ 166,988</u>	<u>\$ -</u>	<u>\$ 1,953,350</u>	<u>\$ 1,935,139</u>
Charge-offs on auto loans	<u>\$ -</u>	<u>\$ 2,724</u>	<u>\$ 3,060</u>	<u>\$ 1,802</u>	<u>\$ 559</u>	<u>\$ 1,211</u>	<u>\$ -</u>	<u>\$ 9,356</u>	<u>\$ -</u>
Finance leases									
Accrual Status:									
Performing	\$ 67,120	\$ 301,479	\$ 234,744	\$ 142,589	\$ 59,904	\$ 63,347	\$ -	\$ 869,183	\$ 853,528
Non-Performing	-	391	766	410	280	897	-	2,744	3,287
Total finance leases	<u>\$ 67,120</u>	<u>\$ 301,870</u>	<u>\$ 235,510</u>	<u>\$ 142,999</u>	<u>\$ 60,184</u>	<u>\$ 64,244</u>	<u>\$ -</u>	<u>\$ 871,927</u>	<u>\$ 856,915</u>
Charge-offs on finance leases	<u>\$ -</u>	<u>\$ 617</u>	<u>\$ 1,000</u>	<u>\$ 403</u>	<u>\$ 182</u>	<u>\$ 394</u>	<u>\$ -</u>	<u>\$ 2,596</u>	<u>\$ -</u>
Personal loans									
Accrual Status:									
Performing	\$ 37,408	\$ 157,655	\$ 106,185	\$ 27,959	\$ 13,945	\$ 34,032	\$ -	\$ 377,184	\$ 379,161
Non-Performing	-	558	855	236	93	288	-	2,030	1,841
Total personal loans	<u>\$ 37,408</u>	<u>\$ 158,213</u>	<u>\$ 107,040</u>	<u>\$ 28,195</u>	<u>\$ 14,038</u>	<u>\$ 34,320</u>	<u>\$ -</u>	<u>\$ 379,214</u>	<u>\$ 381,002</u>
Charge-offs on personal loans	<u>\$ -</u>	<u>\$ 1,342</u>	<u>\$ 2,778</u>	<u>\$ 533</u>	<u>\$ 232</u>	<u>\$ 573</u>	<u>\$ -</u>	<u>\$ 5,458</u>	<u>\$ -</u>
Credit cards									
Accrual Status:									
Performing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 323,062	\$ 323,062
Non-Performing	-	-	-	-	-	-	-	-	-
Total credit cards	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,062</u>	<u>\$ 323,062</u>
Charge-offs on credit cards	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,995</u>	<u>\$ 5,995</u>
Other consumer loans									
Accrual Status:									
Performing	\$ 18,852	\$ 69,221	\$ 27,159	\$ 8,387	\$ 5,003	\$ 7,534	\$ 8,706	\$ 144,862	\$ 147,913
Non-Performing	-	881	448	122	48	173	133	1,805	1,689
Total other consumer loans	<u>\$ 18,852</u>	<u>\$ 70,102</u>	<u>\$ 27,607</u>	<u>\$ 8,509</u>	<u>\$ 5,051</u>	<u>\$ 7,707</u>	<u>\$ 8,839</u>	<u>\$ 146,667</u>	<u>\$ 149,602</u>
Charge-offs on other consumer loans	<u>\$ 2</u>	<u>\$ 2,400</u>	<u>\$ 1,672</u>	<u>\$ 403</u>	<u>\$ 99</u>	<u>\$ 149</u>	<u>\$ 175</u>	<u>\$ 4,900</u>	<u>\$ -</u>
<b>Total</b>									
Accrual Status:									
Performing	\$ 284,657	\$ 1,127,148	\$ 866,784	\$ 533,689	\$ 240,409	\$ 268,059	\$ 331,768	\$ 3,652,514	\$ 3,629,397
Non-Performing	-	5,267	5,733	3,578	1,795	5,200	133	21,706	22,373
Total consumer loans	<u>\$ 284,657</u>	<u>\$ 1,132,415</u>	<u>\$ 872,517</u>	<u>\$ 537,267</u>	<u>\$ 242,204</u>	<u>\$ 273,259</u>	<u>\$ 331,901</u>	<u>\$ 3,674,220</u>	<u>\$ 3,651,770</u>
Charge-offs on total consumer loans	<u>\$ 2</u>	<u>\$ 7,083</u>	<u>\$ 8,510</u>	<u>\$ 3,141</u>	<u>\$ 1,072</u>	<u>\$ 2,327</u>	<u>\$ 6,170</u>	<u>\$ 28,305</u>	<u>\$ -</u>

(1) Excludes accrued interest receivable.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

	As of March 31, 2024							As of December 31, 2023										
	Term Loans																	
	Amortized Cost Basis by Origination <sup>(1)</sup>																	
	Year	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total									
(In thousands)																		
<b>Florida Region:</b>																		
Auto loans																		
Accrual Status:																		
Performing	\$	-	\$	-	\$	-	\$	721	\$	-	\$	721	\$	1,105				
Non-Performing		-		-		-		5		-		5		12				
Total auto loans	\$	-	\$	-	\$	-	\$	726	\$	-	\$	726	\$	1,117				
Charge-offs on auto loans	\$	-	\$	-	\$	-	\$	59	\$	-	\$	59						
Finance leases																		
Accrual Status:																		
Performing	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-				
Non-Performing		-		-		-		-		-		-		-				
Total finance leases	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-				
Charge-offs on finance leases	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-				
Personal loans																		
Accrual Status:																		
Performing	\$	190	\$	50	\$	-	\$	71	\$	-	\$	-	\$	311	\$	273		
Non-Performing		-		-		-		-		-		-		-		-		
Total personal loans	\$	190	\$	50	\$	-	\$	71	\$	-	\$	-	\$	311	\$	273		
Charge-offs on personal loans	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-				
Credit cards																		
Accrual Status:																		
Performing	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-		
Non-Performing		-		-		-		-		-		-		-		-		
Total credit cards	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-		
Charge-offs on credit cards	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-		
Other consumer loans																		
Accrual Status:																		
Performing	\$	55	\$	54	\$	46	\$	221	\$	324	\$	2,155	\$	1,707	\$	4,562	\$	4,446
Non-Performing		-		-		-		-		-		18		10		28		59
Total other consumer loans	\$	55	\$	54	\$	46	\$	221	\$	324	\$	2,173	\$	1,717	\$	4,590	\$	4,505
Charge-offs on other consumer loans	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-		
<b>Total</b>																		
Accrual Status:																		
Performing	\$	245	\$	104	\$	46	\$	292	\$	324	\$	2,876	\$	1,707	\$	5,594	\$	5,824
Non-Performing		-		-		-		-		-		23		10		33		71
Total consumer loans	\$	245	\$	104	\$	46	\$	292	\$	324	\$	2,899	\$	1,717	\$	5,627	\$	5,895
Charge-offs on total consumer loans	\$	-	\$	-	\$	-	\$	-	\$	-	\$	59		\$	-	\$	59	

(1) Excludes accrued interest receivable.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

	As of March 31, 2024							As of December 31, 2023			
	Term Loans										
	Amortized Cost Basis by Origination <sup>(1)</sup>										
	Year							Revolving Loans Amortized Cost Basis			
	2024	2023	2022	2021	2020	Prior		Total	Total		
(In thousands)											
<b>Total:</b>											
Auto loans											
Accrual Status:											
Performing	\$ 161,277	\$ 598,793	\$ 498,696	\$ 354,754	\$ 161,557	\$ 163,867	\$ -	\$ 1,938,944	\$ 1,920,688		
Non-Performing	-	3,437	3,664	2,810	1,374	3,847	-	15,132	15,568		
Total auto loans	<u>\$ 161,277</u>	<u>\$ 602,230</u>	<u>\$ 502,360</u>	<u>\$ 357,564</u>	<u>\$ 162,931</u>	<u>\$ 167,714</u>	<u>\$ -</u>	<u>\$ 1,954,076</u>	<u>\$ 1,936,256</u>		
Charge-offs on auto loans	<u>\$ -</u>	<u>\$ 2,724</u>	<u>\$ 3,060</u>	<u>\$ 1,802</u>	<u>\$ 559</u>	<u>\$ 1,270</u>	<u>\$ -</u>	<u>\$ 9,415</u>	<u>\$ -</u>		
Finance leases											
Accrual Status:											
Performing	\$ 67,120	\$ 301,479	\$ 234,744	\$ 142,589	\$ 59,904	\$ 63,347	\$ -	\$ 869,183	\$ 853,528		
Non-Performing	-	391	766	410	280	897	-	2,744	3,287		
Total finance leases	<u>\$ 67,120</u>	<u>\$ 301,870</u>	<u>\$ 235,510</u>	<u>\$ 142,999</u>	<u>\$ 60,184</u>	<u>\$ 64,244</u>	<u>\$ -</u>	<u>\$ 871,927</u>	<u>\$ 856,815</u>		
Charge-offs on finance leases	<u>\$ -</u>	<u>\$ 617</u>	<u>\$ 1,000</u>	<u>\$ 403</u>	<u>\$ 182</u>	<u>\$ 394</u>	<u>\$ -</u>	<u>\$ 2,596</u>	<u>\$ -</u>		
Personal loans											
Accrual Status:											
Performing	\$ 37,598	\$ 157,705	\$ 106,185	\$ 28,030	\$ 13,945	\$ 34,032	\$ -	\$ 377,495	\$ 379,434		
Non-Performing	-	558	855	236	93	288	-	2,030	1,841		
Total personal loans	<u>\$ 37,598</u>	<u>\$ 158,263</u>	<u>\$ 107,040</u>	<u>\$ 28,266</u>	<u>\$ 14,038</u>	<u>\$ 34,320</u>	<u>\$ -</u>	<u>\$ 379,525</u>	<u>\$ 381,275</u>		
Charge-offs on personal loans	<u>\$ -</u>	<u>\$ 1,342</u>	<u>\$ 2,778</u>	<u>\$ 533</u>	<u>\$ 232</u>	<u>\$ 573</u>	<u>\$ -</u>	<u>\$ 5,458</u>	<u>\$ -</u>		
Credit cards											
Accrual Status:											
Performing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 323,062	\$ 323,062		
Non-Performing	-	-	-	-	-	-	-	-	-		
Total credit cards	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,062</u>	<u>\$ 323,062</u>		
Charge-offs on credit cards	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,995</u>	<u>\$ 5,995</u>		
Other consumer loans											
Accrual Status:											
Performing	\$ 18,907	\$ 69,275	\$ 27,205	\$ 8,608	\$ 5,327	\$ 9,689	\$ 10,413	\$ 149,424	\$ 152,359		
Non-Performing	-	881	448	122	48	191	143	1,833	1,748		
Total other consumer loans	<u>\$ 18,907</u>	<u>\$ 70,156</u>	<u>\$ 27,653</u>	<u>\$ 8,730</u>	<u>\$ 5,375</u>	<u>\$ 9,880</u>	<u>\$ 10,556</u>	<u>\$ 151,257</u>	<u>\$ 154,107</u>		
Charge-offs on other consumer loans	<u>\$ 2</u>	<u>\$ 2,400</u>	<u>\$ 1,672</u>	<u>\$ 403</u>	<u>\$ 99</u>	<u>\$ 149</u>	<u>\$ 175</u>	<u>\$ 4,900</u>	<u>\$ -</u>		
<b>Total</b>											
Accrual Status:											
Performing	\$ 284,902	\$ 1,127,252	\$ 866,830	\$ 533,981	\$ 240,733	\$ 270,935	\$ 333,475	\$ 3,658,108	\$ 3,635,221		
Non-Performing	-	5,267	5,733	3,578	1,795	5,223	143	21,739	22,444		
Total consumer loans	<u>\$ 284,902</u>	<u>\$ 1,132,519</u>	<u>\$ 872,563</u>	<u>\$ 537,559</u>	<u>\$ 242,528</u>	<u>\$ 276,158</u>	<u>\$ 333,618</u>	<u>\$ 3,679,847</u>	<u>\$ 3,657,665</u>		
Charge-offs on total consumer loans	<u>\$ 2</u>	<u>\$ 7,083</u>	<u>\$ 8,510</u>	<u>\$ 3,141</u>	<u>\$ 1,072</u>	<u>\$ 2,386</u>	<u>\$ 6,170</u>	<u>\$ 28,364</u>	<u>\$ -</u>		

(1) Excludes accrued interest receivable.

As of March 31, 2024 and December 31, 2023, the balance of revolving loans converted to term loans ~~and material~~.

Accrued interest receivable on loans total ~~\$10.2~~ \$10.2 million as of March 31, 2024 ~~\$2.62~~ (\$2.62 million as of December 31, 2023), reported as part of accrued interest receivable on loans and investment securities in ~~the~~ consolidated statements of ~~financial condition~~ from the estimate of credit losses.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following tables present information about collateral dependent loans that were individually evaluated ~~determining the AOL~~ as of March 31, 2024 and December 31, 2023

As of March 31, 2024	Collateral Dependent Loans				Collateral Dependent Loans - With No Related		
	- With Amortized Cost		Related Allowance		Allowance		Collateral Dependent Loans -
	Total Amortized Cost	Related Allowance	Amortized Cost	Total Amortized Cost	Related Allowance		
(In <del>Residential</del> ) mortgage loans:							
Conventional residential mortgage loans	25,622	\$ 1,888	\$ 77	\$ 25,699	\$ 1,888		
Commercial loans:							
Construction loans	-	-	956	956	-		
Commercial mortgage loans	-	-	44,751	44,751	-		
C&I loans	9,390	1,598	6,702	16,092	1,598		
Consumer loans:							
Personal loans	28	1	-	28	1		
Other consumer loans	123	18	-	123	18		
	<u>\$ 35,163</u>	<u>\$ 3,505</u>	<u>\$ 52,486</u>	<u>\$ 87,649</u>	<u>\$ 3,505</u>		

As of December 31, 2023	Collateral Dependent Loans				Collateral Dependent Loans - With No Related		
	- With Amortized Cost		Related Allowance		Allowance		Collateral Dependent Loans -
	Total Amortized Cost	Related Allowance	Amortized Cost	Total Amortized Cost	Related Allowance		
(In <del>Residential</del> ) mortgage loans:							
Conventional residential mortgage loans	25,355	\$ 1,732	\$ -	\$ 25,355	\$ 1,732		
Commercial loans:							
Construction loans	-	-	956	956	-		
Commercial mortgage loans	4,454	135	40,683	45,137	135		
C&I loans	9,390	1,563	6,780	16,170	1,563		
Consumer loans:							
Personal loans	28	1	-	28	1		
Other consumer loans	123	12	-	123	12		
	<u>\$ 39,350</u>	<u>\$ 3,443</u>	<u>\$ 48,419</u>	<u>\$ 87,769</u>	<u>\$ 3,443</u>		

The underlying collateral for residential mortgage and consumer collateral dependent loans consisted of single-family residential commercial and construction loans consisted primarily of office buildings, multifamily residential properties, and other real estate. The weighted-average loan-to-value coverage for collateral dependent loans as of March 31, 2024 was 65% as of December 31, 2023 which was not considered a significant change in the extent to which collateral loans secured the

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**Purchases and Sales of Loans**

In the ordinary course of business, the Corporation enters into securitization transactions and whole loan sales with the National Mortgage Association ("GNMA") and GSEs, such as the Federal National Mortgage Association ("FNMA") and Federal Home Mortgage Corp. ("FHLMC"). During the quarters ended March 31, 2024, and 2023, loans pooled into GNMA MBS approximately \$8.7 million and \$9.4 million, respectively, for which the Corporation recognized a net gain on \$0.9 million during each of these quarters. Also during the quarters ended March 31, 2024 and 2023, the Corporation recognized a net gain of approximately \$0.8 million and \$0.0 million, respectively, of performing residential mortgage loans to FNMA for Corporation recognized a net gain with respect to the loans during each of these quarters. The Corporation's continuing with the loans that it sells consists primarily of servicing the loans. In addition, the Corporation agrees to repurchase any of the representations and warranties included in the sale agreement. These representations and warranties are based on the Corporation's selling and servicing guidelines, (ensuring that the mortgage was properly underwritten according to guidelines).

For loans pooled into GNMA MBS, the Corporation, as servicer, holds an option to repurchase individual delinquent loans as of January 1, 2003, when certain delinquency criteria are met. This option gives the Corporation the unilateral obligation to repurchase the delinquent loans at par without prior authorization from GNMA. Since the Corporation is considered to have regained effective control over the loans, it is required to recognize the loans and a corresponding liability to repurchase the loans. As of March 31, 2024 and December 31, 2023, rebooked GNMA delinquent loans in the residential mortgage loan portfolio amounted to \$8.1 million and \$7.9 million, respectively.

During the quarters ended March 31, 2024 and 2023, the Corporation repurchased, pursuant to the option, approximately 10% and 12% respectively, of loans previously pooled into GNMA MBS. The principal balance of these is fully guaranteed, and the risk of loss related to the repurchased loans is generally limited to the difference between the interest advanced to GNMA, which is computed at the loan's interest rate, and the interest payments repurchased at a pre-determined debenture rate. Repurchases of GNMA loans allow the Corporation, among other things, acceptable delinquency rates on outstanding GNMA pools and remain as a seller and servicer in good standing. Without any losses on these repurchases of GNMA delinquent loans have been immaterial and no provision has been made at the time.

Loan sales to FNMA and FHLMC are without recourse in relation to the future performance of the loans. The Corporation's risk of loss on these loans is also minimal as these repurchased loans are generally performing loans with no documentation.

During the quarter ended March 31, 2024, the Corporation purchased commercial loan participations in the Florida \$28.2 million, which consisted of approximately \$18.3 million in the commercial mortgage portfolio and \$9.9 million in the portfolio. No significant purchases of loans were executed during the first quarter of 2023. C&I

During the first quarter of 2024, the Corporation recognized \$0.5 million recovery associated with the bulk sale of fully off loans, net of a \$5 million repurchase liability. There were no significant sales of loans during the quarter ended March 31, 2023, other than those sales of conforming residential mortgage loans mentioned above.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**Loan Portfolio Concentration**

The Corporation's primary lending area is Puerto Rico. The Corporation's banking subsidiary, FirstBank, also lends and in the BVI markets and in the United States (principally in the state of Florida). Of the total gross loans held for investment portfolio of March 31, 2024, credit risk concentration was approximately 60% in Puerto Rico, 17% in the U.S., and 23% in the USVI and the BVI.

As of March 31, 2024, the Corporation had \$129.4 million outstanding in loans extended to the Puerto Rico municipalities and public corporations, compared to \$107.7 million as of December 31, 2023. As of March 31, 2024, \$129.4 million consisted of loans extended to municipalities in Puerto Rico that are general obligations property supported by assessments. \$129.4 million of loans which are supported by one or more specific sources of municipal vast majority of revenues of the municipalities included in the Corporation's loan portfolio are independent of property taxes levied by the Puerto Rico central government. These municipalities are required by law to levy special property taxes are required to satisfy the payment of all of their respective general obligation bonds and notes. Excluding these municipalities, the Corporation's exposure to the Puerto Rico government as of March 31, 2024 is \$8.9 million in loans granted to an affiliate of the Puerto Rico Electric Power Authority ("PREPA") and \$1.9 million in loans to agencies or corporations of the Puerto Rico government.

In addition, as of March 31, 2024, the Corporation had \$1.5 million in exposure to residential mortgage loans that are by the PRHFA, a government instrumentality that has been designated as a covered entity under PROMESA, 7.7 million as of December 31, 2023. Residential mortgage loans guaranteed by the PRHFA are secured by the underlying properties and serve to cover shortfalls in collateral in the event of a borrower default.

The Corporation also has credit exposure to USVI government entities. As of March 31, 2024, the Corporation had \$9.1 million in loans to USVI government public corporations, compared to \$9.5 million as of December 31, 2023. As of March 31, 2024, all were currently performing and up to date on principal and interest payments.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**Loss Mitigation Program for Borrowers Experiencing Financial Difficulty**

The Corporation provides assistance to its customers through a loss mitigation program. Depending upon the nature of a financial condition, restructurings or loan modifications through this program are provided, as well as other individual, commercial mortgage, construction, and residential mortgage loans. The Corporation may also modify contracts with regulations regarding the treatment of certain bankruptcy filings and discharge situations.

The loan modifications granted to borrowers experiencing financial difficulty that are associated with payment delays typically:

- Forbearance plans – Payments of either interest and/or principal are deferred for a pre-established period of time, generally not exceeding six months in any given year. The deferred interest and/or principal is repaid as either a lump sum at payoff or extending the loan's maturity date by the number of forbearance months granted.
- Payment plans – Borrowers are allowed to pay the regular monthly payment plus the pre-established delinquency period generally not exceeding six months. At the end of the payment plan, the borrower is required to reschedule only the scheduled loan payments.
- Trial modifications – These types of loan modifications are granted for residential mortgage loans. Borrowers reduce monthly payments during the trial period, which is generally of up to six months. The reduced payments that are made over during the trial period will result in a payment delay with respect to the original contractual terms if the loan has not yet been contractually modified. After successful completion of the trial period, the contractually modified.

Modifications in the form of a reduction in interest rate, term extension, an other-than-insignificant payment delay or types of loan modifications that have occurred in the current reporting period for a borrower experiencing disclosed in the tables below. Many factors are considered when evaluating whether there is an other-than-insignificant payment delay, such as the significance of the restructured payment amount relative to the unpaid principal balance of the loan or the relative significance of the delay to the original loan terms.

The below disclosures relate to loan modifications granted to borrowers experiencing financial difficulty in changing in the timing and/or amount of contractual cash flows in the form of any of the aforementioned types of modifications that resulted in a more-than-insignificant payment delay. These disclosures exclude \$0.9 million, respectively, in restructured residential mortgage loans that are government-guaranteed (e.g., FHA/VA loans) for the quarters ended March 31, 2024 and 2023.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following tables present the amortized cost basis as of March 31, 2024 and 2023 of loans modified to financial difficulty during the quarters ended March 31, 2024 and 2023, by portfolio classes and type of modification percentage of these modified loans relative to the total period-end amortized cost basis of receivables in the portfolio class:

	Quarter Ended March 31, 2024										Percentage of Total Portfolio Classes	
	Payment Delay Only		Trial Modification		Interest Reduction		Combination of Interest Rate Reduction and Term Extension			Total		
	Forbearance	Payment Plan	Forbearance	Payment Plan	Interest Reduction	Term Extension	Term Extension	Other	Total			
(In thousands)												
Conventional residential mortgage	\$ -	\$ -	\$ -	\$ 464	\$ -	\$ -	\$ -	\$ -	\$ 464	0.02 %		
Construction loans	-	-	-	-	-	-	-	-	-	-		
Commercial mortgage loans	-	-	-	-	-	-	-	-	-	-		
C&I loans	-	-	-	-	13	-	-	-	13	0.00 %		
Consumer loans	-	-	-	-	-	-	-	-	-	-		
Auto loans	-	-	-	-	-	174	125	1,036 (1)	1,335	0.07 %		
Personal loans	-	-	-	-	9	14	5	-	28	0.01 %		
Credit cards	-	-	-	-	548 (2)	-	-	-	548	0.17 %		
Other consumer loans	-	-	-	-	-	140	7	24 (1)	171	0.11 %		
Total modifications	\$ -	\$ -	\$ 464	\$ 570	\$ 328	\$ 137	\$ 1,060	\$ 2,559				

	Quarter Ended March 31, 2023										Percentage of Total Portfolio Classes	
	Payment Delay Only		Trial Modification		Interest Reduction		Combination of Interest Rate Reduction and Term Extension			Total		
	Forbearance	Payment Plan	Forbearance	Payment Plan	Interest Reduction	Term Extension	Term Extension	Other	Total			
(In thousands)												
Conventional residential mortgage	\$ -	\$ -	\$ -	\$ 332	\$ -	\$ 433	\$ 115	\$ -	\$ 880	0.03 %		
Construction loans	-	-	-	-	-	-	-	-	-	-		
Commercial mortgage loans	-	-	-	-	-	-	-	-	-	-		
C&I loans	-	-	-	-	-	-	-	40 (1)	40	0.00 %		
Consumer loans	-	-	-	-	-	-	-	-	-	-		
Auto loans	-	-	-	-	-	89	38	584 (1)	711	0.04 %		
Personal loans	-	-	-	-	-	28	14	-	42	0.01 %		
Credit cards	-	-	-	-	289 (2)	-	-	-	289	0.09 %		
Other consumer loans	-	-	-	-	-	132	60	26 (1)	218	0.15 %		
Total modifications	\$ -	\$ -	\$ 332	\$ 289	\$ 682	\$ 227	\$ 650	\$ 2,180				

(1) Modification consists of court mandated reduction to 0% interest rate for remaining loan term to borrowers in bankruptcy proceedings unless dismissal

(2) Modification consists of reduction in interest rate and revocation of revolving line privileges.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following tables present by portfolio classes the financial effects of the modifications granted to financial difficulty experience, those associated to payment delay, during the quarters ended March 31, 2024 and 2023. The financial modifications associated to payment delay were discussed above and, as such, were excluded from the tables below:

	<u>Quarter Ended March 31, 2024</u>			
	Weighted-Average Interest Rate Reduction (%)	Combination of Interest Rate Reduction and Term Extension		
		Weighted-Average Term Extension (in months)	Weighted-Average Interest Rate Reduction (%)	Weighted-Average Term Extension (in months)
(In thousands)				
Conventional residential mortgage loans	- %	-	- %	-
Construction loans	- %	-	- %	-
Commercial mortgage loans	- %	-	- %	-
C&I loans	13.00 %	-	- %	-
Consumer loans:				
Auto loans	- %	30	2.68 %	25
Personal loans	8.49 %	25	1.79 %	14
Credit cards	16.55 %	-	- %	-
Other consumer loans	- %	23	2.81 %	19

	<u>Quarter Ended March 31, 2023</u>			
	Weighted-Average Interest Rate Reduction (%)	Combination of Interest Rate Reduction and Term Extension		
		Weighted-Average Term Extension (in months)	Weighted-Average Interest Rate Reduction (%)	Weighted-Average Term Extension (in months)
(In thousands)				
Conventional residential mortgage loans	- %	98	2.11 %	141
Construction loans	- %	-	- %	-
Commercial mortgage loans	- %	-	- %	-
C&I loans	- %	-	- %	-
Consumer loans:				
Auto loans	- %	22	2.88 %	28
Personal loans	- %	30	3.36 %	12
Credit cards	16.04 %	-	- %	-
Other consumer loans	- %	27	1.96 %	26

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following tables present by portfolio classes the performance of loans modified during the last twelve months ended 31, ~~2023~~ and during the quarter ended March 31, 2023 that were granted to borrowers experiencing financial difficulty:

(In thousands)	Last Twelve Months Ended March 31, 2024					
	30-59	60-89	90+	Total Delinquency	Current	Total
Conventional residential mortgage loans\$	37	\$ 328	\$ 109	\$ 243	\$ 680	\$ 40,135
Construction loans	-	-	-	-	-	-
Commercial mortgage loans	-	-	-	-	32,384	32,384
C&I loans	13	-	-	13	362	375
Consumer loans:						
Auto loans	19	3	65	87	3,184	3,271
Personal loans	11	-	-	11	329	340
Credit cards	217	92	147	456	1,097	1,553
Other consumer loans	31	14	31	76	457	533
Total modifications	<u><u>\$ 328</u></u>	<u><u>\$ 109</u></u>	<u><u>\$ 243</u></u>	<u><u>\$ 680</u></u>	<u><u>\$ 39,455</u></u>	<u><u>\$ 40,135</u></u>
Quarter Ended March 31, 2023						
(In thousands)	30-59	60-89	90+	Total Delinquency	Current	Total
	-	\$ 880	\$ 880	-	-	-
Conventional residential mortgage loans\$	-	-	-	-	-	-
Construction loans	-	-	-	-	-	-
Commercial mortgage loans	-	-	-	-	-	-
C&I loans	-	-	-	-	40	40
Consumer loans:						
Auto loans	44	138	-	182	529	711
Personal loans	-	-	-	-	42	42
Credit cards	103	89	-	192	97	289
Other consumer loans	-	-	-	-	218	218
Total modifications	<u><u>\$ 147</u></u>	<u><u>\$ 227</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 374</u></u>	<u><u>\$ 1,806</u></u>	<u><u>\$ 2,180</u></u>

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following table presents the amortized cost basis of classes of financing receivables that had a payment default before (make payments of either principal, interest, or both for a period of 90 days or more) and were modified to experiencing financial difficulty during the last twelve months ended March 31, 2024:

	Last Twelve Months Ended March 31,						<b>Total</b>	
	2024 Combination							
	Interest Rate Reduction	Term Extension	of	Interest Reduction and Extension	Forgiveness of Principal and/or Interest	Other		
(In thousands)								
Residential mortgage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Construction loans	-	-	-	-	-	-	-	
Commercial mortgage loans	-	-	-	-	-	-	-	
C&I loans	-	-	-	-	-	-	-	
Consumer loans:								
Auto loans	-	9	-	-	56 (1)	65		
Personal loans	-	-	-	-	-	-	-	
Credit	147	-	-	-	-	-	147	
Other consumer loans	-	31	-	-	-	-	31	
Total modifications	<b>\$ 147</b>	<b>\$ 40</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 56</b>	<b>\$ 243</b>		

(1) Modification consists of court mandated reduction to 0% interest rate for remaining loan term to borrowers in bankruptcy proceedings unless dismissal occurs.

There were no loans modified to borrowers experiencing financial difficulty on or after January 1, 2023, which had a payment default before (make payments of either principal, interest, or both for a period of 90 days or more) during the quarter ended March 31, 2023.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 4 – ALLOWANCE FOR CREDIT LOSSES FOR LOANS AND FINANCE LEASES**

The following tables present the activity in the ACL on loans and finance leases by portfolio segment for the indicated periods:

	<b>Residential Mortgage Loans</b>	<b>Construction Loans</b>	<b>Commercial Mortgage</b>	<b>C&amp;I Loans</b>	<b>Consumer Loans</b>	<b>Total</b>
<b>Quarter Ended March 31, 2024</b>						
(In thousands)						
ACL:						
Beginning balance	\$ 57,397	\$ 5,605	\$ 32,631	\$ 33,190	\$ 133,020	\$ 261,843
Provision for credit losses - (benefit) expense	( 464 )	571	( 10 )	( 3,360 )	16,180	12,917
Charge-offs	( 516 )	-	-	( 459 )	( 28,364 )	( 29,339 )
Recoveries	272	10	40	5,119	12,730 <sup>(1)</sup>	18,171
Ending balance	<u>\$ 56,689</u>	<u>\$ 6,186</u>	<u>\$ 32,661</u>	<u>\$ 34,490</u>	<u>\$ 133,566</u>	<u>\$ 263,592</u>

(1) Includes recoveries totaling \$5 million associated with the bulk sale of fully charged-off consumer loans.

	<b>Residential Mortgage Loans</b>	<b>Construction Loans</b>	<b>Commercial Mortgage</b>	<b>C&amp;I Loans</b>	<b>Consumer Loans</b>	<b>Total</b>
<b>Quarter Ended March 31, 2023</b>						
(In thousands)						
ACL:						
Beginning balance	\$ 62,760	\$ 2,308	\$ 35,064	\$ 32,906	\$ 127,426	\$ 260,464
Impact of adoption of ASU 2022-02(1)	2,056	-	-	7	53	2,116
Provision for credit losses - expense (benefit)	73	860	1,246	( 1,650 )	15,727	16,256
Charge-offs	( 983 )	-	( 18 )	( 118 )	( 16,798 )	( 17,917 )
Recoveries	497	63	168	90	3,830	4,648
Ending balance	<u>\$ 64,403</u>	<u>\$ 3,231</u>	<u>\$ 36,460</u>	<u>\$ 31,235</u>	<u>\$ 130,238</u>	<u>\$ 265,567</u>

(1) Recognized as a result of the adoption of ASU 2022-02, for which the Corporation elected to discontinue the use of a discounted cash flow methodology for restructured ~~existing loans~~ corresponding decrease, net of applicable taxes, in beginning retained earnings as of January 1, 2023.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The Corporation estimates the ACL following the methodologies described in Note 1 – "Nature of Business Significant Accounting Policies" to the audited consolidated financial statements included in the 2023 Annual Report on Form 10-K by the information contained in this report, for each portfolio segment.

The Corporation generally applies probability weights to the baseline and alternative downside economic scenarios to estimate the baseline scenario carrying the highest weight. The scenarios that are chosen each quarter and the weight assigned to the different loan portfolio categories depend on a variety of factors including recent national and regional economic indicators, and industry trends. As of March 31, 2024 and December 31, 2023, the Corporation scenario for the commercial mortgage and construction loan portfolios as deterioration, particularly associated to the commercial real estate property performance in these portfolios was expected at a lower extent than projected downside scenario, particularly in the Puerto Rico region.

As of March 31, 2024, the ACL for loans and finance leases was \$263.6 million, an increase of \$1.8 million, from \$261.8 million as of December 31, 2023. The ACL for commercial and construction loans increased \$1.0 million, mainly due to increased particularly in the commercial and industrial loan portfolio, coupled with a deterioration on the economic outcome of macro variables.

The ACL for consumer loans increased \$0.6 million mainly due to increases in historical charge-off levels, mainly cards, and increases in portfolio volumes in the automobile and finance leases portfolios. This increase was partially offset by updated variables, mainly in the projection of unemployment rates across all regions.

Meanwhile, the ACL for residential mortgage loans decreased \$0.7 million, mostly due to updated macroeconomic mainly in the projection of unemployment rates, partially offset by newly originated loans that have a longer life.

Net charge-offs were \$11.2 million for the first quarter of 2024, compared to \$10.3 million for the same period in 2023. The \$1.1 million decrease in net charge-offs was mainly driven by \$0.5 million recovery associated with the aforementioned bulk fully charged-off consumer loans during the first quarter of 2024. \$0.5 million recovery associated with a industrial loan in the Puerto Rico region, partially offset by an increase in commercial and personal loan portfolios, primarily associated with a higher delinquency during the quarter.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The tables below present the ACL related to loans and finance leases and the carrying values of loans by portfolio as of March 31, 2024 and December 31, 2023:

**As of March 31, 2024**

(Dollars in thousands)	<u>Residential Mortgage Loans</u>	<u>Construction Loans</u>	<u>Commercial Mortgage Loans</u>	<u>C&amp;I Loans</u>	<u>Consumer Loans</u>	<u>Total</u>
<b>Total loans held for investment:</b>						
Amortized cost of loans	\$ 2,801,587	\$ 237,288	\$ 2,361,731	\$ 3,230,995	\$ 3,679,847	\$ 12,311,448
Allowance for credit losses	56,689	6,186	32,661	34,490	133,566	263,592
Allowance for credit losses to amortized cost	2.02 %	2.61 %	1.38 %	1.07 %	3.63 %	2.14 %

**As of December 31, 2023**

(Dollars in thousands)	<u>Residential Mortgage Loans</u>	<u>Construction Loans</u>	<u>Commercial Mortgage Loans</u>	<u>C&amp;I Loans</u>	<u>Consumer Loans</u>	<u>Total</u>
<b>Total loans held for investment:</b>						
Amortized cost of loans	\$ 2,821,726	\$ 214,777	\$ 2,317,083	\$ 3,174,232	\$ 3,657,665	\$ 12,185,483
Allowance for credit losses	57,397	5,605	32,631	33,190	133,020	261,843
Allowance for credit losses to amortized cost	2.03 %	2.61 %	1.41 %	1.05 %	3.64 %	2.15 %

In addition, the Corporation estimates expected credit losses over the contractual period in which the credit institution is exposed to an obligation to extend credit, such as unfunded loan commitments and standby letters of credit for construction loans, unless the obligation is unconditionally cancellable by the Corporation. See "Off-Balance Sheet Matters, Commitments and Contingencies" for information on off-balance sheet exposures as of December 31, 2023 and the Corporation estimates the ACL for these off-balance sheet exposures following the methodology described in "Business and Summary of Significant Accounting Policies" to the audited consolidated financial statements 2023 Annual Report on Form 10-K. As of March 31, 2024, the ACL for off-balance sheet credit exposures increased from \$4.6 million as of December 31, 2023.

The following table presents the activity in the ACL for unfunded loan commitments and standby letters of credit for ended March 31, 2024 and 2023:

(In thousands)	<b>Quarter Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Beginning balance	\$ 4,638	\$ 4,273
Provision for credit losses - expense (benefit)	281	(105)
<b>Ending balance</b>	<b>\$ 4,919</b>	<b>\$ 4,168</b>

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 5 – OTHER REAL ESTATE OWNED**

The following table presents the OREO inventory as of the indicated dates:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
(In thousands)		
OREO balances, carrying value:		
Residential <sup>(1)</sup>	\$ 16,706	\$ 20,261
Construction	1,681	1,601
Commercial	10,477	10,807
Total	<u>\$ 28,864</u>	<u>\$ 32,669</u>

(1) Excludes \$13.4 million and \$16.6 million as of March 31, 2024 and December 31, 2023, respectively, of foreclosures that met the conditions of ASC Subtopic 310-40 Residential Real Estate Collateralized by Non-Performing Mortgages, "and are presented as a receivable as part of other assets in the consolidated statements of financial

See Note 17 – “Fair Value” for information on subsequent measurement adjustments recorded on OREO properties of the operations of OREO operations in the consolidated statements of income during the quarters ended March 31, 2024 and 2023.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 6 – GOODWILL AND OTHER INTANGIBLES**

***Goodwill***

Goodwill as of each of March 31, 2024 and December 31, 2023 amounted to \$0.6 billion. The Corporation's policy is to goodwill and other intangibles for impairment on an annual basis during the fourth quarter of each year, and more frequently if events and circumstances lead management to believe that the values of goodwill or other intangibles may be impaired. During the quarter of 2023, management performed a qualitative analysis of the carrying amount of each relevant reporting units' goodwill and concluded that it is more-likely-than-not that the fair value of the reporting units exceeded their carrying value. This included identifying the inputs and assumptions that most affect fair value, including evaluating significant and relevant events impacting each reporting entity, and evaluating such factors to determine if a positive assertion can be made that it is more-likely-than-not that the fair value of the reporting units exceeded their carrying amount. As of December 31, 2023, the Corporation concluded that it is more-likely-than-not that the fair value of the reporting units exceeded their carrying value. The Corporation determined that there have been no significant events since the last annual assessment that could indicate potential goodwill impairment on reporting units for which the goodwill is allocated. As a result, no impairment charges for goodwill were recorded during the first quarter of 2024.

There were no changes in the carrying amount of goodwill during the quarters ended March 31, 2024 and 2023.

***Other Intangible Assets***

The following table presents the gross amount and accumulated amortization of the Corporation's intangible assets subject to amortization as of the indicated dates:

	As of March 31, 2024	As of December 31, 2023
(Dollars in thousands)		
Core deposit intangible:		
Gross amount	\$ 87,544	\$ 87,544
Accumulated amortization	( 76,002 )	( 74,161 )
Net carrying amount	<u>\$ 11,542</u>	<u>\$ 13,383</u>
Remaining amortization period (in years)	5.8	6.0

During the quarters ended March 31, 2024 and 2023, the Corporation recognized \$0.0 million, respectively, in amortization expense on its other intangibles subject to amortization.

The Corporation amortizes core deposit intangibles based on the projected useful lives of the related intangibles, generally annually for impairment, or sooner if events and circumstances indicate possible impairment. Factors that include customer attrition and run-off. Management is unaware of any events and/or circumstances that could indicate a possible impairment to the core deposit intangibles as of March 31, 2024.

The estimated aggregate annual amortization expense related to the intangible assets subject to amortization for the years following March 31, 2024:

(In thousands)		
2024	\$ 4,575	
2025	3,509	
2026	872	
2027	872	
2028	872	
2029 and after	842	

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 7 – NON-CONSOLIDATED VARIABLE INTEREST ENTITIES (“VIEs”) AND SERVICING ASSETS**

The Corporation transfers residential mortgage loans in sale or securitization transactions in which it has continuing involvement, servicing responsibilities and guarantee arrangements. All such transfers have been accounted for as sales in accordance with applicable accounting guidance.

When evaluating the need to consolidate counterparties to which the Corporation has transferred assets, the Corporation has considered other transactions, the Corporation first determines if the counterparty is an entity for which a scope exception is applicable and a variable interest exists, the Corporation then evaluates whether the VIE and whether the entity should be consolidated or not.

Below is a summary of transactions with VIEs for which the Corporation has retained some level of continuing involvement:

**Trust-Preferred Securities (“TRuPs”)**

In April 2004, FBP Statutory Trust I, a financing trust that is wholly owned by the Corporation, sold to institutional investors \$100 million of variable-rate TRuPs. FBP Statutory Trust I used the proceeds of the issuance, together with the proceeds of the purchase of \$8.8 million of FBP Statutory Trust I variable-rate common securities, to purchase \$100 million principal amount of the Corporation's Junior Subordinated Deferrable Debentures. In September 2004, FBP Statutory Trust II, which is wholly owned by the Corporation, sold to institutional investors \$125 million of its variable-rate TRuPs. FBP Statutory Trust II used the proceeds of the issuance, together with the proceeds of the purchase by the Corporation of \$28.9 million aggregate principal amount of the Junior Subordinated Deferrable Debentures. The debentures, net of issuance costs, are presented in the consolidated statements of financial condition as other long-term borrowings. These TRuPs are variable-rate instruments indexed to the CME Term SOFR plus a tenor spread adjustment of 2616% and the original spread 2175% for the FBP Statutory and 2.50% for the FBP Statutory Trust II. The Junior Subordinated Deferrable Debentures mature on June 17, 2034, and 20, 2034, respectively; however, under certain circumstances, the maturity of Junior Subordinated Deferrable Debentures may be shortened (such shortening would result in a mandatory redemption of the variable-rate TRuPs).

Under the indentures of these instruments, the Corporation has the right, from time to time, and without causing an event to defer payments of interest on the Junior Subordinated Deferrable Debentures by extending the interest payment period for any time during the term of the subordinated debentures for up to twenty consecutive quarterly periods. As of March 31, 2024, the Corporation was current on all interest payments due on its subordinated debt.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**Private Label MBS**

During 2004 and 2005, an unaffiliated party, referred to in this subsection as the seller, established a series of ~~statutory~~ ~~securitization~~ of mortgage loans and the sale of trust certificates ("private label MBS"). The seller ~~is senior to the obligations to pay private label MBS holders~~. The seller then entered into a ~~agreement~~ ~~to sell~~ ~~the cash flows~~ ~~of these private label MBS~~; the servicing of the underlying residential mortgages that ~~generate the cash flows~~ is performed by another third party, which receives a servicing fee. These private label MBS ~~are available to be sold~~ ~~10-month CME Term SOFR plus a tenor spread adjustment~~ ~~1.20161%~~ and the original spread limited to ~~weighted-average coupon of the underlying collateral~~. The principal payments ~~from~~ ~~the underlying loans are~~ ~~agreed to be paid~~ ~~then remits interest to the Bank~~. Interest income is shared to a certain extent with the ~~FDIC~~ ~~which has~~ ~~been~~ ~~tied to the cash flows of the underlying loans and is entitled to receive the excess of the interest~~ ~~servicing fees~~ ~~over the variable rate income that the Bank earns on the securities~~. The FDIC became the owner ~~in connection with the~~ ~~failure~~ ~~of the seller, a failed financial institution~~. No recourse agreement exists, and the Bank, as the sole holder of the ~~absorbs all~~ ~~risks from losses on non-accruing loans and repossessed collateral~~. As of March 31, 2024, the amortized cost ~~of these private label MBS amounted~~ ~~to \$69 million and \$4.7 million, respectively, with a weighted average yield~~ ~~7.63%~~, which is included as part of the Corporation's available-for-sale debt securities portfolio. As described in Note 2 – "Debt Securities", private label MBS amounted to \$1 million as of March 31, 2024.

**Servicing Assets (MSRs)**

The Corporation typically transfers first lien residential mortgage loans in conjunction with GNMA securitization ~~which the loans are exchanged for cash or securities that are readily redeemed for cash proceeds and servicing rights~~. ~~These~~ ~~through~~ ~~these transactions are guaranteed by GNMA and, under seller/servicer agreements, the Corporation loans are serviced in accordance with the issuers' servicing guidelines and standards~~. As of March 31, 2024, the ~~Corporation~~ ~~serviced~~ ~~through GNMA with a principal balance of \$21 billion~~. Also, certain conventional conforming loans are FNMA or FHLMC with servicing retained. The Corporation ~~recognizes~~ as separate assets the rights to service ~~when~~ ~~for others~~ ~~those~~ ~~servicing assets are originated or purchased~~. MSRs are included as part of other assets in the consolidated ~~statement~~ ~~of condition~~.

The changes in MSRs are shown below for the indicated periods:

	<b>Quarter Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
(In thousands)		
Balance at beginning of year	\$ 26,941	\$ 29,037
Capitalization of servicing assets	460	532
Amortization	( 1,037 )	( 1,128 )
Temporary impairment recoveries	-	) 4
Other <sup>(1)</sup>	( 9 )	( 14 )
Balance at end of period	<u>\$ 26,355</u>	<u>\$ 28,431</u>

(1) Mainly represents adjustments related to the repurchase of loans serviced for others.

Impairment charges are recognized through a valuation allowance for each individual stratum of servicing ~~allowance~~ ~~is adjusted to~~ reflect the amount, if any, by which the cost basis of the servicing asset for a given ~~stratum of loans~~ ~~is less than~~ ~~their~~ value. Any fair value in excess of the cost basis of the servicing asset for a given stratum is not recognized.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

Changes in the impairment allowance were as follows for the indicated periods:

	<b>Quarter Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
(In thousands)		
Balance at beginning of year	\$ -	\$ 12
Temporary impairment recoveries	- -	(4)
Balance at end of period	<u>\$ -</u>	<u>\$ 8</u>

The components of net servicing income, included as part of mortgage banking activities in the consolidated statements are shown below for the indicated periods:

	<b>Quarter Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
(In thousands)		
Servicing fees	\$ 2,573	\$ 2,718
Late charges and prepayment penalties	189	199
Other <sup>(1)</sup>	(9)	(14)
Servicing income, gross	2,753	2,903
Amortization and impairment of servicing assets	(1,037)	(1,124)
Servicing income, net	<u>\$ 1,716</u>	<u>\$ 1,779</u>

(1) Mainly represents adjustments related to the repurchase of loans serviced for others.

The Corporation's MSRs are subject to prepayment and interest rate risks. Key economic assumptions used in ~~determining the fair value at the time of sale~~ of the related mortgages for the indicated periods ranged as follows:

	<b>Weighted Average</b>	<b>Maximum</b>	<b>Minimum</b>
<b>Quarter Ended March 31,</b>			
<b>2024</b>			
<b>Constant prepayment rate:</b>			
Government-guaranteed mortgage loans	6.9 %	12.6 %	3.2 %
Conventional conforming mortgage loans	6.8 %	15.1 %	2.9 %
Conventional non-conforming mortgage loans	6.0 %	7.6 %	4.4 %
<b>Discount rate:</b>			
Government-guaranteed mortgage loans	11.5 %	11.5 %	11.5 %
Conventional conforming mortgage loans	9.5 %	9.5 %	9.5 %
Conventional non-conforming mortgage loans	11.5 %	12.5 %	11.0 %
<b>Quarter Ended March 31,</b>			
<b>2023</b>			
<b>Constant prepayment rate:</b>			
Government-guaranteed mortgage loans	6.7%	11.6 %	4.8 %
Conventional conforming mortgage loans	7.7%	16.0 %	3.8 %
Conventional non-conforming mortgage loans	5.7%	7.0 %	2.1 %
<b>Discount rate:</b>			
Government-guaranteed mortgage loans	11.5%	11.5 %	11.5 %
Conventional conforming mortgage loans	9.5%	9.5 %	9.5 %
Conventional non-conforming mortgage loans	12.8%	14.0 %	11.5 %

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The weighted averages of the key economic assumptions that the Corporation used in its valuation model and the sensitivity of the to immediate 10% and 20% adverse changes in those assumptions for mortgage loans were as indicated dates:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
(In thousands)		
Carrying amount of servicing assets	\$ 26,355	\$ 26,941
Fair value	\$ 44,764	\$ 45,244
Weighted-average expected life (in years)	7.74	7.79
<b>Constant prepayment rate (weighted-average annual rate)</b>		
Decrease in fair value due to 10% adverse change	\$ 883	\$ 886
Decrease in fair value due to 20% adverse change	\$ 1,724	\$ 1,731
<b>Discount rate (weighted-average annual rate)</b>		
Decrease in fair value due to 10% adverse change	\$ 1,904	\$ 1,927
Decrease in fair value due to 20% adverse change	\$ 3,668	\$ 3,712

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on variation in assumptions generally cannot be extrapolated because the relationship between the change in assumption and the change in value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the MBS listed without changing any other assumption. In reality, changes in one factor may result in changes in another (for example, in market interest rates may result in lower prepayments), which may magnify or counteract the sensitivities.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 8 – DEPOSITS**

The following table summarizes deposit balances as of the indicated dates:

(In thousands)	<u>March 31, 2024</u>	<u>December 31, 2023</u>
<b>Type of account:</b>		
Non-interest-bearing deposit accounts	\$ 5,346,326	\$ 5,404,121
Interest-bearing checking accounts	3,934,508	3,937,945
Interest-bearing saving accounts	3,577,465	3,596,855
Time deposits	2,961,526	2,833,730
Brokered certificates of deposits ("CDs")	725,686	783,334
<b>Total</b>	<b>\$ 16,545,511</b>	<b>\$ 16,555,985</b>

The following table presents the contractual maturities of time deposits, including brokered CDs, as of March 31, 2024:

(In thousands)	<u>Total</u>
Three months or less	\$ 902,766
Over three months to six months	692,302
Over six months to one year	1,360,319
Over one year to two years	446,607
Over two years to three years	68,684
Over three years to four years	118,387
Over four years to five years	76,502
Over five years	21,645
<b>Total</b>	<b>\$ 3,687,212</b>

The following were the components of interest expense on deposits for the indicated periods:

(In thousands)	<u>Quarter Ended March</u>	
	<u>2024 31,</u>	<u>2023</u>
Interest expense on deposits	\$ 62,929	\$ 29,924
Recovery of premiums from acquisitions	( 34 )	( 83 )
Amortization of broker placement fees	130	) 44
<b>Total</b>	<b>\$ 63,025</b>	<b>\$ 29,885</b>

Total Puerto Rico and U.S. time deposits with balances of more than \$250,000 amounted to \$4 billion as of March 31, 2024 and December 31, 2023, respectively. This amount does not include brokered CDs that are generally ~~participated~~ but shares of less than the FDIC insurance limit. As of March 31, 2024 and December 31, 2023, ~~placemantized~~ ~~breakout~~ amounted to \$0 million and \$0 million, respectively, which are amortized over the contractual maturity of the brokered CDs under the interest method.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 9 – ADVANCES FROM THE FEDERAL HOME LOAN BANK (“FHLB”)**

The following is a summary of the advances from the FHLB as of the indicated dates:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
(In thousands)		
Long-term Fixed-rate advances from the FHLB (1)	\$ 500,000	\$ 500,000

(1) Weighted-average interest rate 4.15% as of each of March 31, 2024 and December 31, 2023, respectively.

Advances from the FHLB mature as follows as of the indicated date:

	<b>March 31, 2024</b>
(In thousands)	
Over six months to one year	\$ 180,000
Over one to five years (1)	320,000
<b>Total</b>	<b>\$ 500,000</b>

(1) Average remaining term to maturity 2.04 years.

**NOTE 10 – OTHER LONG-TERM BORROWINGS**

***Junior Subordinated Debentures***

Junior subordinated debentures, as of the indicated dates, consisted of:

(In thousands)	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Long-term floating rate junior subordinated debentures (FBP Statutory Trust I) (1)	\$ 43,143	\$ 43,143
Long-term floating rate junior subordinated debentures (FBP Statutory Trust II) (2)	118,557	118,557
<b>(3)</b>	<b>\$ 161,700</b>	<b>\$ 161,700</b>

(1) Amount represents junior subordinated interest-bearing debentures due in 2034 with a floating interest 2.07% over 3-month CME Term SOFR plus a 0.26161% tenor spread adjustment as of March 31, 2024 and December 31, 2023 (0.39% as of March 31, 2024 and 0.39% as of December 31, 2023).

(2) Amount represents junior subordinated interest-bearing debentures due in 2034 with a floating interest 2.06% over 3-month CME Term SOFR plus a 0.26161% tenor spread adjustment as of March 31, 2024 and December 31, 2023 (0.39% as of March 31, 2024 and 0.39% as of December 31, 2023).

(3) See Note 7 - "Non-Consolidated Variable Interest Entities ("VIEs") and Servicing Assets," for additional information on these debentures.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 11 – EARNINGS PER COMMON SHARE**

The calculations of earnings per common share for the quarters ended March 31, 2024 and 2023 are as follows:

	<u>Quarter Ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
(In thousands, except per share information)		
Net income attributable to common stockholders	\$ 73,458	\$ 70,698
<b>Weighted-Average Shares:</b>		
Average common shares outstanding	167,142	180,215
Average potential dilutive common shares	656	1,021
Average common shares outstanding - assuming dilution	<u>167,798</u>	<u>181,236</u>
<b>Earnings per common share:</b>		
Basic	\$ 0.44	\$ 0.39
Diluted	\$ 0.44	\$ 0.39

Earnings per common share is computed by dividing net income attributable to common stockholders by the ~~number of weighted-average shares issued and outstanding~~. Basic weighted-average common shares outstanding exclude ~~restricted shares that do not contain non-forfeitable dividend rights~~.

Potential dilutive common shares consist of unvested shares of restricted stock and performance units (if any of ~~the performance~~ as of the end of the reporting period) that do not contain non-forfeitable dividend or ~~dividends~~ ~~the equivalent stock~~ method. This method assumes that proceeds equal to the amount of compensation cost ~~attributable~~ ~~to~~ ~~used to~~ repurchase shares on the open market at the average market price for the period. The ~~difference~~ ~~between~~ ~~the~~ ~~number of~~ dilutive shares issued and the shares purchased is added as incremental shares to the ~~outstanding~~ ~~number of~~ ~~shares~~ ~~to~~ ~~compute~~ ~~diluted~~ earnings per share. Unvested shares of restricted stock outstanding during the ~~period~~ ~~potentially~~ ~~dilutive~~ shares issued than shares purchased under the treasury stock method are not included in the ~~computation~~ ~~of~~ ~~earnings~~ per share since their inclusion would have an antidilutive effect on earnings per share. ~~and~~ ~~the~~ ~~shares~~ of common stock during the quarters ended March 31, 2024 and 2023.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 12 – STOCK-BASED COMPENSATION**

The First Bancorp Omnibus Incentive Plan (the "Omnibus Plan"), which is effective until May 24, 2026, provides for and equity-based compensation incentives (the "awards"). The Omnibus Plan authorizes the issuance of 1,169,807 shares of common stock, subject to adjustments for stock splits, reorganizations and other similar events. As of March 31, 2024, 398,013 authorized shares of common stock available for issuance under the Omnibus Plan. The Corporation's Board based on the recommendation of the Compensation and Benefits Committee of the Board, has the power and authority to determine to receive awards and to establish the terms and conditions of any awards, subject to various restrictions and the supply to individual and aggregate awards.

**Restricted Stock**

Under the Omnibus Plan, the Corporation may grant restricted stock to plan participants, subject to forfeiture upon vesting following five years (50%) of those shares vest on the two-year anniversary of the grant date and the remaining 50% vesting on the three-year anniversary of the grant date. The shares of restricted stock granted to directors are generally subject to vesting on the three-year anniversary of the grant date. The Corporation issued 398,013 shares during the quarter ended March 31, 2024 in connection with restricted stock awards, which were reissued from treasury shares.

The following table summarizes the restricted stock activity under the Omnibus Plan during the quarters ended March 31, 2024 and March 31, 2023.

	Quarter ended March 31, 2024			Quarter ended March 31, 2023		
	Number of shares of restricted stock	Weighted- Average Grant Date Fair Value	Number of shares of restricted stock	Weighted- Average Grant Date Fair Value		
Unvested shares outstanding at beginning of year	889,642	\$ 12.30	938,491	\$ 9.14		
Granted <sup>(1)</sup>	398,013	17.35	495,891	11.99		
Forfeited	( 1,905 )	12.14	( 25,415 )	9.98		
Vested	( 252,504 )	12.26	( 481,536 )	5.93		
Unvested shares outstanding at end of period	1,033,246	\$ 14.26	927,431	\$ 12.32		

(1) For the quarter ended March 31, 2024, includes 280 shares of restricted stock awarded to independent directors and 733 shares of restricted stock awarded to employees, of which 84,122 shares were granted to retirement-eligible employees and thus charged to earnings as of the grant date. Includes 1,502 shares of restricted stock awarded to independent directors and 3,389 shares of restricted stock awarded to employees, of which 718 shares were granted to retirement-eligible employees and thus charged to earnings as of the grant date.

For the quarters ended March 31, 2024 and 2023, the Corporation recognized \$2.6 million and \$1.6 million, respectively, of based compensation expense related to restricted stock awards. As of March 31, 2024, \$1.6 million of total compensation cost related to unvested shares of restricted stock that the Corporation expects to recognize over a period of 12.0 years.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**Performance Units**

Under the Omnibus Plan, the Corporation may award performance units to participants, with each unit representing the ~~shares of the~~ Corporation's common stock awards, which are granted to executives, do not contain non-forfeitable rights dividend equivalent amounts and can only be settled in shares of the Corporation's common stock.

Performance units granted during the quarters ended March 31, 2024 and 2023 vest on the third anniversary of the effective date based on actual achievement of two performance metrics weighted equally: relative total shareholder return (TSR) compared to companies that comprise the KBW Nasdaq Regional Banking Index, and the achievement of a tangible book value per share ("TBVPS") goal, which is measured based upon the growth in the tangible book value during the performance period for certain allowable non-recurring transactions. The participant may earn 50 % of their target opportunity for the shareholder level and up to 150 % of their target opportunity for maximum level performance, based on the individual achievement of performance goal during a three-year performance cycle. Amounts between threshold, target and maximum performance will be proportional amount.

The following table summarizes the performance units activity under the Omnibus Plan during the quarters ended March 31, 2024 and March 31, 2023.

	Quarter ended March 31, 2024		Quarter ended March 31, 2023	
	Number of Performance Units	Weighted - Average Fair Value	Number of Performance Units	Weighted - Average Fair Value
	Grant Date		Grant Date	
Performance units at beginning of year	534,261	12.25	791,923	7.36
Additions <sup>(1)</sup>	165,487	18.39	216,876	12.24
Vested <sup>(2)</sup>	( 150,716 )	11.26	( 474,538 )	4.08
Performance units at end of period	<u>549,032</u>	<u>14.37</u>	<u>534,261</u>	<u>12.25</u>

(1) Units granted during the quarters ended March 31, 2024 and 2023 are based on the achievement of the Relative TSR and TBVPS performance goals during a three-year period from January 1, 2024 and January 1, 2023, respectively, and ending on December 31, 2026 and December 31, 2025, respectively.

(2) Units vested during the quarters ended March 31, 2024 and 2023 are related to performance units granted in 2021 and 2020, respectively, that met the pre-established target of 100% shares of common stock reissued from treasury shares.

The fair value of the performance units awarded during the quarters ended March 31, 2024 and 2023, that was based on the achievement of the two performance metrics, was calculated based on the market price of the Corporation's common stock on the respective date of the achievement of 100% of target opportunity. As of March 31, 2024, there have been no changes in management's assessment of the probability that the pre-established TBVPS goal will be achieved; as such, no cumulative adjustment to compensation expense has been recognized. The fair value of the performance units awarded, that was based on the Relative TSR component, was calculated using Monte Carlo simulation. Since the Relative TSR component is considered a market condition, the fair value of the performance units based on Relative TSR is not revised subsequent to grant date based on actual performance.

The following table summarizes the valuation assumptions used to calculate the fair value of the Relative TSR performance units granted under the Omnibus Plan during the quarters ended March 31, 2024 and 2023:

	Quarter Ended March 31,	
	2024	2023
Risk-free interest rate <sup>(1)</sup>	4.41 %	3.98 %
Correlation coefficient	73.80	77.16
Expected dividend yield <sup>(2)</sup>	-	-
Expected volatility <sup>(3)</sup>	34.65	41.37
Expected life (in years)	2.78	2.79

(1) Based on the yield on zero-coupon U.S. Treasury Separate Trading of Registered Interest and Principal of Securities as of the grant date for a period equal to the simulation period.

(2) Assumes that dividends are reinvested at each ex-dividend date.

(3) Calculated based on the historical volatility of the Corporation's stock price with a look-back period equal to the simulation term using daily stock prices.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

For each of the quarters ended March 31, 2024 and 2023, the Corporation ~~expensed~~ \$ stock-based expense related to performance units. As of March 31, 2024, there ~~was \$1.1 million~~ of total unrecognized compensation cost unvested performance units that the Corporation expects to recognize ~~over 2.4 years~~ related to weighted average ~~2.4 years~~.

***Shares withheld***

During the first quarter of 2024, the Corporation withheld 126,038 shares (first quarter of 2023 287,835 shares) of the stock and performance units that vested during such period to cover the participants' payroll and ~~income~~ tax withheld on ~~shares~~ held as treasury shares. The Corporation paid in cash any fractional share of salary stock to ~~entitled~~ ~~an officer~~ ~~consolidated~~ financial statements, the Corporation presents shares withheld for tax purposes ~~as purchases~~ stock

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 13 – STOCKHOLDERS’ EQUITY**

**Stock Repurchase Programs**

On July 24, 2023, the Corporation announced that its Board of Directors approved a new stock repurchase program, the Corporation may repurchase up to \$25 million of its outstanding common stock. Repurchases under the program may be through open market purchases, accelerated share repurchases, and/or privately negotiated transactions or plans, including complying with Rule 10b5-1 under the Exchange Act. The Corporation's stock repurchase program is subject to including factors such as the Corporation's capital position, liquidity, financial performance and alternative uses of capital, stock trading price and market conditions. The Corporation's stock repurchase program does not obligate it to acquire any specific number of shares. An expiration date is not specified. The stock repurchase program may be modified, suspended, or terminated at any time by the Corporation. During the first quarter of 2024, the Corporation repurchased 106,551 shares of common stock open market transactions at an average price of \$6.60 for a total cost of approximately \$0.07 million under this stock program. As of March 31, 2024, the Corporation has remaining authorization to repurchase up to \$0.07 million of common stock, which it expects to execute through the end of the third quarter of 2024. The Corporation's holding company has ample resources to fund dividend payments, stock repurchases and its obligations, including debt obligations.

**Common Stock**

The following table shows the changes in shares of common stock outstanding for the quarters ended March 31, 2024 and 2023:

	<b>Total Number of Shares</b>	
	<b>Quarter Ended March 31,</b>	<b>2023</b>
	<b>2024</b>	<b>2023</b>
Common stock outstanding, beginning of year	169,302,812	182,709,059
Common stock repurchased	( 3,142,589 )	( 3,865,375 )
Common stock reissued under stock-based compensation plan	548,729	) 970,429
Restricted stock forfeited	( 1,905 )	( 25,415 )
<b>Common stock outstanding, end of period</b>	<b>166,707,047</b>	<b>179,788,698</b>

(1) For the quarters ended March 31, 2024 and 2023 include 6,038 and 287,835 shares, respectively, of common stock surrendered to cover officers' payroll and income taxes.

For the quarters ended March 31, 2024 and 2023, total cash dividends declared on shares of common stock (\$0.16 per share) and \$5.4 million (\$0.14 per share), respectively. April 25, 2024, the Corporation's Board of Directors declared a quarterly cash dividend of \$0.16 per common share. The dividend is payable on May 20, 2024 to shareholders of record as of the close of business on May 30, 2024. The Corporation intends to continue to pay quarterly dividends on common stock. The Corporation's common stock dividends, including the declaration, timing, and amount, remain subject to approval by the Corporation's Board of Directors at the relevant times.

**Preferred Stock**

The Corporation has 50,000,000 authorized shares of preferred stock with a par value of \$1.00. Subject to certain terms. This may be issued in series and the shares of each series have such rights and preferences as are fixed by the Corporation when authorizing the issuance of that particular series and are redeemable at the Corporation's option. No shares of preferred stock were outstanding as of March 31, 2024 and December 31, 2023.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

## *Treasury Stock*

The following table shows the changes in shares of treasury stock for the quarters ended March 31, 2024 and 2023.

	Total	Number of Shares
	Quarter Ended March 31,	
	2024	2023
Treasury stock, beginning of year	54,360,304	40,954,057
Common stock repurchased	3,142,589	3,865,375
Common stock reissued under stock-based compensation plan	( 548,729 )	( 970,429 )
Restricted stock forfeited	1,905	25,415
Treasury stock, end of period	56,956,069	43,874,418

### **FirstBank Statutory Reserve (Legal Surplus)**

The Puerto Rico Banking Law of 1933, as amended (the "Puerto Rico Banking Law"), requires that 10% of FirstBank's net income for the year be transferred to a legal surplus reserve until such surplus equals the total of paid-in capital preferred stock. Amounts transferred to the legal surplus reserve from retained earnings are not available for distribution by the Corporation without the prior consent of the Puerto Rico Commissioner of Financial Institutions. The Puerto Rico Banking Law provides that, when the expenditures of a Puerto Rico commercial bank are greater than receipts, the excess of the ~~expenditures~~ must be charged against the undistributed profits of the bank, and the balance, if any, must be charged against the legal surplus reserve, as a reduction thereof. If the legal surplus reserve is not sufficient to cover such balance in whole or in part, the ~~standing~~ amount must be charged against the capital account and the Bank cannot pay dividends until it can replenish the legal surplus to an amount of at least 20% of the original capital contributed. FirstBank's legal surplus reserve, included as retained earnings in the Corporation's consolidated statements of financial position, amounted to \$124.6 million as of each of 31, 2024 and December 31, 2023. There were transfers to the legal surplus reserve during the quarter ended March 31, 2024.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 14 – ACCUMULATED OTHER COMPREHENSIVE LOSS**

The following table presents the changes in accumulated other comprehensive loss for the quarters ended March 31, 2024 and 2023.

(In thousands)	<u>Changes in Accumulated Other Comprehensive Loss by Component</u>	
	<u>Quarter ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Unrealized net holding losses on available-for-sale debt securities:		
Beginning balance	\$ ( 640,552 )	\$ ( 805,972 )
Other comprehensive (loss) income	( 15,065 )	) 87,228
Ending balance	\$ ( 655,617 )	\$ ( 718,744 )
Adjustment of pension and postretirement benefit plans:		
Beginning balance	\$ 1,382	\$ 1,194
Other comprehensive income	-	-
Ending balance	\$ 1,382	\$ 1,194

(1) All amounts presented are net of tax.

(2) Net unrealized holding (losses) gains on available-for-sale debt securities have no tax effect because securities are either tax-exempt, held by an IBE, or have a ~~asset-related~~ tax allowance.

**NOTE 15 – EMPLOYEE BENEFIT PLANS**

The Corporation maintains two frozen qualified noncontributory defined benefit pension plans (the "Pension Plans"), ~~comprehensive~~ post-retirement benefit plan (the "Postretirement Benefit Plan") covering medical benefits and life ~~retirement~~ after it obtained in the Banco Santander Puerto Rico ("BSPR") acquisition on September 1, 2020. ~~One~~ ~~defined~~ ~~benefit~~ substantially all of BSPR's former employees who were active before January 1, 2007, while the ~~benefit~~ ~~defined~~ plan covers personnel of an institution previously acquired by BSPR. Benefits are based on salary and years ~~of service~~ of benefits under the Pension Plans is frozen to all participants.

The Corporation requires recognition of a plan's overfunded and underfunded status as an asset or liability ~~adjustment~~ ~~to offset~~ ~~net~~ other comprehensive loss pursuant to the ASC Topic 715, "Compensation-Retirement Benefits."

The following table presents the components of net periodic (benefit) cost for the indicated periods:

(In thousands)	Affected Line Item in the Consolidated Statements of Income	<u>Quarter Ended</u>	
		<u>March 31, 2024</u>	<u>March 31, 2023</u>
		March 31, 2024	March 31, 2023
<b>Net periodic (benefit) cost, pension plans:</b>			
Interest cost	Other expenses	\$ 901	\$ 950
Expected return on plan assets	Other expenses	( 1,018 )	( 886 )
<b>Net periodic (benefit) cost, pension plans</b>		( 117 )	) 64
Net periodic cost, postretirement	Other expenses	16	6
<b>Net periodic (benefit) cost</b>		\$ ( 101 )	\$ 70

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 16 – INCOME TAXES**

The Corporation is subject to Puerto Rico income tax on its income from all sources. Under the Puerto Rico Internal Revenue Code ("PR Tax Code"), the Corporation and its subsidiaries are treated as separate taxable entities and are not entitled to file tax returns. However, certain subsidiaries that are organized as limited liability companies with a partnership election are pass-through entities for Puerto Rico tax purposes. The Corporation conducts business through certain specialized entities, including doing business through an IBE unit of the Bank and through FirstBank Overseas Corporation, which is generally exempt from Puerto Rico income taxation under the International Banking Entity Act of Puerto Rico and through a wholly-owned subsidiary that engages in certain Puerto Rico qualified investing and lending activities that have advantages under Act 60 of 2019.

Under the PR Tax Code, the Corporation is generally not entitled to utilize losses from one subsidiary to offset subsidiary. Accordingly, in order to obtain a tax benefit from a net operating loss ("NOL"), a particular subsidiary must have sufficient taxable income within the applicable NOL carry-forward period. Pursuant to the PR Tax Code, for NOLs incurred during taxable years that commenced after December 31, 2004 and ended before December 31, 2010, the carryover period is 10 years. For NOLs incurred during taxable years commencing after December 31, 2012, the carryover period is 10 years. The PR Tax Code provides a dividend received deduction on dividends received from "controlled" subsidiaries subject to Puerto Rico and 85% on dividends received from taxable domestic corporations. In addition, the IBE unit of FirstBank Overseas Corporation, which were created under the IBE Act, have an exemption on net income derived from identified business under such Act. An IBE that operates as a unit of a bank pays income taxes at the corporate standard rates to the extent that the IBE's net income exceeds 20% of the bank's total net taxable income.

Income tax expense also includes USVI income taxes, as well as applicable U.S. federal and state taxes. The Corporation is treated as a foreign corporation for U.S. and USVI income tax purposes and is generally subject to USVI income tax only on its income from sources within the U.S. and USVI or income effectively connected with the Corporation's business in those jurisdictions. Such tax paid in the U.S. and USVI is also creditable against the Corporation's U.S. federal and state tax liability to certain conditions and limitations.

For the first quarter of 2024, the Corporation recorded an income tax expense of \$23.9 million compared to \$14.1 million in the first quarter of 2023. The decrease in income tax expense was mainly driven by a lower effective tax rate during the first quarter of 2024, to a lesser extent, by lower pre-tax income. During the fourth quarter of 2023, the Corporation engaged in a tax planning strategy to take advantage of the preferential tax treatment under the PR Tax Code which resulted in a lower effective tax rate for the year 2023. The Corporation maintained an effective tax rate lower than the Puerto Rico maximum statutory rate of 37.5% due to its estimated annual effective tax rate, excluding entities with pre-tax losses from which a tax benefit can be recognized. The Corporation's estimated annual effective tax rate was 24.3% for the first quarter of 2024, compared to 31.2% for the first quarter of 2023.

As of March 31, 2024, the Corporation had a deferred tax asset of \$147.0 million, net of a valuation allowance of \$40.1 million against the deferred tax asset, compared to a deferred tax asset of \$150.1 million, net of a valuation allowance of \$9.2 million, as of December 31, 2023. The net deferred tax asset of the Corporation's banking subsidiary, FirstBank, amounted to \$110.0 million as of March 31, 2024, net of a valuation allowance of \$11.4 million, compared to a net deferred tax asset of \$150.1 million, net of valuation allowance of \$11.4 million, as of December 31, 2023. The Corporation maintains a full valuation allowance for its tax assets associated with capital loss carryforwards, NOL carryforwards and unrealized losses of available-for-sale debt securities.

In 2017, the Corporation completed a formal ownership change analysis within the meaning of Section 382 of the Internal Revenue Code ("Section 382") covering a comprehensive period and concluded that an ownership change had occurred during the Section 382 limitation period. The Section 382 limitation has resulted in higher U.S. and USVI income tax liabilities than we would have incurred if such limitation had not occurred. The Corporation has mitigated to an extent the adverse effects associated with the Section 382 limitation by tax paid in the U.S. or USVI can be creditable against Puerto Rico tax liabilities or taken as a deduction against tax liability to reduce our Puerto Rico tax liability through such a credit or deduction depends on our tax-primitive taxable period, which is dependent on various factors. For the first quarters of 2024 and 2023, FirstBank incurred tax expense of approximately \$2.8 million and \$2.5 million, respectively, related to its U.S. operations. The limitation impact the USVI operations in the first quarters of 2024 and 2023, respectively.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The Corporation accounts for uncertain tax positions under the provisions of ASC Topic 740, Income Taxes. The Corporation's interest and penalties related to unrecognized tax positions in income tax expense. As of December 31, 2024, \$2 million of accrued interest and penalties related to uncertain tax positions in the amounts that it acquired from BSPR, which, if recognized, would decrease the effective income tax rate in future periods. unrecognized tax benefits may increase or decrease in the future for various reasons, including adding amounts for position tax position. The expiration of open income tax returns due to the statute of limitations, changes in management's judgment about the outcome, the status of examinations, litigation and legislative activity, and the addition or elimination of the statute of limitations under the PR Tax Code is four years after a tax return is due or filed, whichever is later. The statute of limitations for U.S. and USVI income tax purposes is three years after a tax return is due or filed, whichever is later. The completion of the taxing authorities or the expiration of the statute of limitations for a given audit period could result in an adjustment to the Corporation's liability for income taxes. Any such adjustment could be material to the results of operations for any given period based, in part, upon the results of operations for the given period. For U.S. and USVI income tax purposes subsequent to 2019 remain open to examination. For Puerto Rico tax purposes, all tax years subsequent to 2018 remain open to examination.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 17 – FAIR VALUE**

***Fair Value Measurement***

ASC Topic 820, "Fair Value Measurement," defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance also establishes a fair value hierarchy for classifying assets based on whether the inputs to the valuation techniques used to measure fair value are observable or unobservable. Levels of inputs may be used to measure fair value:

- Level 1** Valuations of Level 1 assets and liabilities are obtained from readily-available pricing sources for transactions involving identical assets or liabilities in active markets.
- Level 2** Valuations of Level 2 assets and liabilities are based on observable inputs other than Level 1 prices, prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- Level 3** Valuations of Level 3 assets and liabilities are based on unobservable inputs that are supported by little or no market data significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models for which the determination of fair value requires significant judgment as to the estimation.

See Note 25 – "Fair Value," to the audited consolidated financial statements included in the 2023 Annual Report on Form 10-K for a description of the valuation methodologies used to measure financial instruments at fair value on a recurring basis.

There were no transfers of assets and liabilities measured at fair value between Level 1 and Level 2 measured as of March 31, 2024 and 2023.

Assets and liabilities measured at fair value on a recurring basis are summarized below as of March 31, 2024 and December 31, 2023:

(In thousands)	As of March 31, 2024								As of December 31, 2023								
	Fair Value Measurements Using								Fair Value Measurements Using								
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
<b>Assets:</b>																	
Debt securities available for sale:																	
U.S. Treasury securities	\$ 116,068	\$ -	\$ -	\$ 116,068	\$ 135,393	\$ -	\$ -	\$ 135,393	\$ 433,437	\$ -	\$ -	\$ 433,437	\$ 433,437	\$ 433,437	\$ 433,437	\$ 433,437	\$ 433,437
Noncallable U.S. agencies debt securities	-	467,940	-	467,940	- 467,940	-	433,437	433,437	- 433,437	-	-	433,437	433,437	433,437	433,437	433,437	433,437
Callable U.S. agencies debt securities	-	1,785,476	-	1,785,476	- 1,785,476	-	1,874,960	1,874,960	- 1,874,960	-	-	1,874,960	1,874,960	1,874,960	1,874,960	1,874,960	1,874,960
MBS	-	2,671,420	4,724(1)	2,676,144	- 2,676,144	-	2,779,994	2,779,994	- 2,779,994	4,785(1)	4,785(1)	2,784,779	2,784,779	2,784,779	2,784,779	2,784,779	2,784,779
Puerto Rico government obligation	-	-	1,551	1,551	- 1,551	-	-	-	-	1,415	1,415	1,415	1,415	1,415	1,415	1,415	1,415
Equity securities	4,871	-	-	4,871	4,871	4,893	4,893	-	-	-	-	-	-	-	-	4,893	
Derivative assets	-	239	-	239	- 239	-	341	341	- 341	-	-	341	341	341	341	341	341
Liabilities:																	
Derivative liabilities	-	242	-	242	- 242	-	317	317	- 317	-	-	317	317	317	317	317	317

(1) Related to private label MBS.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The table below presents a reconciliation of the beginning and ending balances of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the quarters ended March 31, 2024 and 2023:

<b>Level 3 Instruments Only</b>	Quarter Ended March			
	2024		2023	
	Securities Available for Sale <sup>(1)</sup>	Securities Available for Sale <sup>(1)</sup>		
(In Thousands)				
Beginning balance	\$ 6,200	\$ 8,495		
Total gains	239	(162)		
(Losses) included in other comprehensive income (loss)	69	9		
(Unrealized) earnings	(2)			
Principal payments and maturity	(3)	(233)	(737)	
Ending balance	<u>\$ 6,275</u>	<u>\$ 7,605</u>		

(1) Amounts related to private label MBS and a Puerto Rico government obligation.

(2) Changes in unrealized gains included in earnings were recognized within provision for credit losses - expense and relate to assets still held as of the reporting date.

(3) For the quarter ended March 31, 2023 includes \$5 million repayment related to a matured debt security.

The tables below present quantitative information for significant assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of March 31, 2024 and December 31, 2023:

(Dollars in thousands)	March 31, 2024						
	Fair Value	Valuation Technique	Unobservable Input	Range		Weighted Average	
	Minimum	Maximum					
<b>Available-for-sale debt securities:</b>							
Private label MBS	\$ 4,724	Discounted cash flows	Discount rate	16.4 %	16.4 %	16.4 %	
			Prepayment rate	0.0 %	6.9 %	3.7 %	
			Projected cumulative loss rate	0.2 %	10.5 %	3.8 %	
Puerto Rico government obligation	\$ 1,551	Discounted cash flows	Discount rate	13.0 %	13.0 %	13.0 %	
			Projected cumulative loss rate	21.3 %	21.3 %	21.3 %	

(Dollars in thousands)	December 31, 2023						
	Fair Value	Valuation Technique	Unobservable Input	Range		Weighted Average	
	Minimum	Maximum					
<b>Available-for-sale debt securities:</b>							
Private label MBS	\$ 4,785	Discounted cash flows	Discount rate	16.1 %	16.1 %	16.1 %	
			Prepayment rate	0.0 %	6.9 %	3.7 %	
			Projected cumulative loss rate	0.1 %	10.9 %	4.2 %	
Puerto Rico government obligation	\$ 1,415	Discounted cash flows	Discount rate	14.1 %	14.1 %	14.1 %	
			Projected cumulative loss rate	25.8 %	25.8 %	25.8 %	

**Information about Sensitivity to Changes in Significant Unobservable Inputs**

**Private label MBS:** The significant unobservable inputs in the valuation include probability of default, the loss severity and prepayment rates. Shifts in those inputs would result in different fair value measurements. Increases in the probability of default, and prepayment rates in isolation would generally result in an adverse effect on the fair value estimation.

**Puerto Rico Government Obligation:** The significant unobservable input used in the fair value measurement is the assumed the underlying residential mortgage loans that collateralize a pass-through MBS guaranteed by the PRHFA. A (decrease) increase in the assumed rate would lead to a (lower) higher fair value estimate. See Note 2 – "Debt Securities" for the methodology used to calculate the fair value of these debt securities.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

Additionally, fair value is used on a nonrecurring basis to evaluate certain assets in accordance with GAAP.

For the quarters ended March 31, 2024 and 2023, the Corporation recorded losses or valuation adjustments for assets fair value on a nonrecurring basis and still held at March 31, 2024 and 2023, as shown in the following table:

	Carrying value as of March		Related to losses recorded for the Quarter Ended March 31,	
	2024	2023	2024	2023
(In thousands)				
Loans receivable(a)	\$ 9,654	\$ 3,486	( 41 )\$	( 60 )
OREO(2)	859	814	( 163 )	( 33 )

(1) Consists mainly of collateral dependent commercial and construction loans. The Corporation generally measured losses based on the fair value of the collateral. The Corporation obtained external appraisals that took into consideration prices in observed transactions involving similar assets in similar locations but adjusted for specific characteristics of the collateral (e.g., absorption rates), which are not market observable. There were no significant haircuts applied on appraisals for the quarters ended March 31, 2024 and

(2) The Corporation derived the fair values from appraisals that took into consideration prices in observed transactions involving similar assets in similar locations but adjusted for specific assumptions of the properties (e.g., absorption rates and net operating income of income producing properties), which are not market observable. Losses market valuation adjustments after the transfer of the loans to the OREO portfolio. The haircuts applied ranged from 2% to 20% for the quarter ended March 31, 2024 and from 2% to 28% for the quarter ended March 31, 2023.

See Note 25 – “Fair Value,” to the audited consolidated financial statements included in the 2023 Annual Report on Form 10-K for information regarding the fair value measurements for Level 3 financial instruments measured at fair value on a nonrecurring basis.

The following tables present the carrying value, estimated fair value and estimated fair value level of the hierarchy of instruments as of March 31, 2024 and December 31, 2023:

	Total Carrying Amount in Statement of Financial Condition as of March 31, 2024	Fair Value Estimate as of March 31, 2024	Level 1			Level 2			Level 3			
			Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	
(In thousands)												
<b>Assets:</b>												
Cash and due from banks and money market investments (amortized cost)	\$ 684,519	\$ 684,519	\$ 684,519	-	-	-	-	-	-	-		
Available-for-sale debt securities (fair value)	5,047,179	5,047,179	116,068	4,924,836	6,275	-	-	-	-	-		
Held-to-maturity debt securities:												
Held-to-maturity debt securities (amortized cost)	349,330											
Less: ACL on held-to-maturity debt securities	( 1,235 )											
Held-to-maturity debt securities, net of ACL	<u>348,095</u>	338,120	-	228,237	109,883	-	-	-	-	-		
Equity securities (amortized cost)	46,519	46,519	-	46,519 (1)	-	-	-	-	-	-		
Other equity securities (fair value)	4,871	4,871	4,871	4,871	-	-	-	-	-	-		
Loans held for sale (lower of cost or market)	12,080	12,173	-	12,173	-	-	-	-	-	-		
Loans held for investment:												
Loans held for investment (amortized cost)	12,311,448											
Less: ACL for loans and finance leases	( 263,592 )											
Loans held for investment, net of ACL	<u>12,047,856</u>	11,953,468	-	-	-	11,953,468	-	-	-	-		
MSRs (amortized cost)	26,355	44,764	-	-	-	44,764	-	-	-	-		
Derivative assets (fair value)(2)	239	239	-	239	-	-	-	-	-	-		
<b>Liabilities:</b>												
Deposits (amortized cost)	\$ 16,545,511	\$ 16,546,891	-	\$ 16,546,891	\$ 16,546,891	-	-	-	-	-		
Advances from the FHLB (amortized cost):												
Long-term	500,000	496,672	-	496,672	-	-	-	-	-	-		
Other long-term borrowings (amortized cost)	161,700	160,199	-	-	-	-	-	-	160,199	-		
Derivative liabilities (fair value) (2)	242	242	-	242	-	242	-	-	-	-		

(1) Includes FHLB stock with a carrying value of \$4.6 million, which is considered restricted.  
(2) Includes interest rate swap agreements, interest rate caps, forward contracts, interest rate lock commitments, and forward loan sales commitments.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

(In thousands)	Total Carrying Amount in Statement of Financial Condition as of December 31, 2023	Fair Value Estimate as of December 31, 2023	Level 1			Level 2		Level 3			
			Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 3		
<b>Assets:</b>											
Cash and due from banks and money market investments (amortized cost)											
\$ 663,164	\$ 663,164	\$ 663,164	-	-	-	-	-	-	-		
Available-for-sale debt securities (fair value)											
5,229,984	5,229,984	135,393	5,088,391	-	-	-	-	-	6,200		
Held-to-maturity debt securities:											
Held-to-maturity debt securities (amortized cost)	354,178										
Less: ACL on held-to-maturity debt securities	( 2,197 )										
Held-to-maturity debt securities, net of ACL	<u>\$ 351,981</u>	346,132	-	235,239	110,893						
Equity securities (amortized cost)											
44,782	44,782	-	44,782	( 1 )	-						
Other equity securities (fair value)											
4,893	4,893	4,893	4,893	-	-						
Loans held for sale (lower of cost or market)											
7,368	7,476	-	7,476								
Loans held for investment:											
Loans held for investment (amortized cost)	12,185,483										
Less: ACL for loans and finance leases	( 261,843 )										
Loans held for investment, net of ACL	<u>\$ 11,923,640</u>	11,762,855	-	-	-	11,762,855					
MSRs (amortized cost)											
26,941	45,244	-	-	-	-	45,244					
Derivative assets (fair value) <sup>(2)</sup>											
341	341	-	341	-	-						
<b>Liabilities:</b>											
Deposits (amortized cost)											
\$ 16,555,985	\$ 16,565,435	\$ 16,565,435	-	\$ 16,565,435	\$ 16,565,435	-					
Advances from the FHLB (amortized cost)											
Long-term	500,000	500,522	-	500,522	-						
Other long-term borrowings (amortized cost)											
161,700	159,999	-	-	-	-	159,999					
Derivative liabilities (fair value) <sup>(2)</sup>											
317	317	-	317	-	-						

(1) Includes FHLB stock with a carrying value of \$4.6 million, which is considered other equity securities.  
 (2) Includes interest rate swap agreements, interest rate caps, forward contracts and interest rate lock commitments.

The short-term nature of certain assets and liabilities result in their carrying value approximating fair value. These assets include cash and other short-term assets, such as FHLB stock. Certain assets, the most significant being premises and equipment and other intangible assets, are not considered financial instruments and are not included in the fair value hierarchy. Information is not intended to, and does not, represent the Corporation's underlying value. Many of these assets are subject to the disclosure requirements are not actively traded, requiring management to estimate fair values. These estimates necessarily involve the use of assumptions and judgment about a wide variety of factors, including the volatility of market prices of comparable instruments, expected future cash flows, and appropriate discount rates.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 18 – REVENUE FROM CONTRACTS WITH CUSTOMERS**

**Revenue Recognition**

In accordance with ASC Topic 606, “Revenue from Contracts with Customers” (“ASC Topic 606”), revenues are recognized when goods or services are transferred to customers and in an amount that reflects the consideration expected to be received in exchange for those goods or services. At contract inception, once the contract is determined in scope of ASC Topic 606, the Corporation assesses the goods or services that are promised within each contract and the respective performance obligations, and assesses whether each promised good or service is distinct. The Corporation measures the amount of the transaction price that is allocated to the respective performance obligation when (or as) the obligation is satisfied.

**Disaggregation of Revenue**

The following tables summarize the Corporation's revenue, which includes net interest income on financial instruments within the scope of ASC Topic 606 and non-interest income, disaggregated by type of service and business segment for March 31, 2024 and 2023:

Quarter ended March 31, 2024	Mortgage Banking	Consumer (Retail) Banking	Commercial and Corporate	Treasury and Investments	United States Operations	Virgin Islands Operations	Total
(In thousands)							
<b>Net interest income (loss)</b>	<b>\$ 15,823</b>	<b>\$ 148,947</b>	<b>\$ 14,928</b>	<b>\$ ( 6,532 )</b>	<b>\$ 18,248</b>	<b>\$ 5,106</b>	<b>\$ 196,520</b>
Service charges and fees on deposit accounts	-	5,281	3,492	-	148	741	9,662
Insurance commissions	-	5,234	-	-	56	217	5,507
Card and processing income	-	10,238	24	-	78	972	11,312
Other service charges and fees	58	1,043	876	-	621	141	2,739
Not in scope of ASC Topic 606	2,961	1,610	109	83	( 2 )	2	4,763
<b>Total non-interest income</b>	<b>\$ 3,019</b>	<b>\$ 23,406</b>	<b>\$ 4,501</b>	<b>\$ 83</b>	<b>\$ 901</b>	<b>\$ 2,073</b>	<b>\$ 33,983</b>
<b>Total Revenue (Loss)</b>	<b>\$ 18,842</b>	<b>\$ 172,353</b>	<b>\$ 19,429</b>	<b>\$ ( 6,449 )</b>	<b>\$ 19,149</b>	<b>\$ 7,179</b>	<b>\$ 230,503</b>

Quarter ended March 31, 2023	Mortgage Banking	Consumer (Retail) Banking	Commercial and Corporate	Treasury and Investments	United States Operations	Virgin Islands Operations	Total
(In thousands)							
<b>Net interest income (loss)</b>	<b>\$ 21,788</b>	<b>\$ 137,744</b>	<b>\$ 14,940</b>	<b>\$ ( 658 )</b>	<b>\$ 20,930</b>	<b>\$ 6,141</b>	<b>\$ 200,885</b>
Service charges and fees on deposit accounts	-	5,486	3,154	-	165	736	9,541
Insurance commissions	-	4,640	-	-	28	179	4,847
Card and processing income	-	9,901	22	-	31	964	10,918
Other service charges and fees	161	1,152	854	-	583	344	3,094
Not in scope of ASC Topic 606	2,913	855	145	160	40	5	4,118
<b>Total non-interest income</b>	<b>\$ 3,074</b>	<b>\$ 22,034</b>	<b>\$ 4,175</b>	<b>\$ 160</b>	<b>\$ 847</b>	<b>\$ 2,228</b>	<b>\$ 32,518</b>
<b>Total Revenue (Loss)</b>	<b>\$ 24,862</b>	<b>\$ 159,778</b>	<b>\$ 19,115</b>	<b>\$ ( 498 )</b>	<b>\$ 21,777</b>	<b>\$ 8,369</b>	<b>\$ 233,403</b>

(1) Most of the Corporation's revenue is not within the scope of ASC Topic 606. The guidance explicitly excludes net interest income from loans, leases, investment securities and derivative financial instruments.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

For the quarters ended March 31, 2024 and 2023, most of the Corporation's revenue within the scope of ASC Topic 606 was obligations satisfied at a point in time.

See Note 26 – "Revenue from Contracts with Customers," to the audited consolidated financial statements ~~Annual Report~~ ~~for~~ ~~the~~ ~~2023~~ for a discussion of major revenue streams under the scope of ASC Topic 606.

**Contract Balances**

As of March 31, 2024 and December 31, 2023, there were no assets recorded on the Corporation's consolidated statements. Moreover, the balances of contract liabilities as of March 31, 2024 and December 31, 2023, were not significant.

**Other**

The Corporation also did not have any material contract acquisition costs and did not make any significant judgments in recognizing revenue for financial reporting purposes.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 19 – SEGMENT INFORMATION**

Based upon the Corporation's organizational structure and the information provided to the Chief Executive Officer, the operating segments are based primarily on the Corporation's lines of business for its operations in Puerto Rico, the principal market, and by geographic areas for its operations outside of Puerto Rico. As of December 31, 2023, the reportable segments: Mortgage Banking; Consumer (Retail) Banking; Commercial and Treasury and Investments Operations; and Virgin Islands Operations. Management determined the reportable segment structure used to evaluate performance and to assess where to allocate resources. Other Corporation organizational chart, nature of the products, distribution channels, and the economic characteristics of the products considered in the determination of the reportable segments.

The Mortgage Banking segment consists of the origination, sale, and servicing of a variety of residential Mortgage Banking. The segment also acquires and sells mortgages in the secondary markets. The Consumer (Retail) Banking segment of the Corporation's consumer lending and deposit-taking activities conducted mainly through its branch network. The Commercial and Corporate Banking segment consists of the Corporation's lending and other services for specialized and middle-market clients and the public sector. The Commercial and Corporate Banking segment includes, including commercial real estate and construction loans, and floor plan financings, as well as other products, management and business management services. The Treasury and Investments segment is responsible for the Corporation's portfolio and treasury functions that are executed to manage and enhance liquidity. This segment funds materials and the Corporate Banking, the Mortgage Banking, the Consumer (Retail) Banking, and the United States Operations, since their lending activities and borrows from those segments. The Consumer (Retail) Banking segment is not a separate segment. The interest rates charged or credited by the Treasury and Investments and the Consumer (Retail) Banking are allocated based on market rates. The difference between the allocated interest income or expense and the Corporation's net income from centralized management of funding costs is reported in the Treasury and United States segment. The segment consists of all banking activities conducted by FirstBank in the United States commercial and consumer banking services. The Virgin Islands Operations segment consists of all banking activities conducted by the USVI and the BVI, including commercial and consumer banking services.

The accounting policies of the segments are the same as those referred to in Note 1 – "Nature of Business and Summary" to the audited consolidated financial statements included in the 2023 Annual Report on Form 10-K.

The Corporation evaluates the performance of the segments based on net interest income, the provision for interest losses, and direct non-interest expenses. The segments are also evaluated based on the average earning assets in the AGL.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following tables present information about the reportable segments for the indicated periods:

	Mortgage Banking	Consumer (Retail) Banking	Commercial and Corporate Banking	Treasury and Investments	United States Operations	Virgin Islands Operations	Total
(In thousands)							
<b>Quarter ended March 31, 2024:</b>							
Interest income	\$ 31,443	\$ 94,795	\$ 72,112	\$ 28,058	\$ 34,765	\$ 7,332	\$ 268,505
Net (charge) credit for transfer of funds	( 15,620 )	96,251	( 57,184 )	( 21,472 )	( 1,975 )	-	-
Interest expense	-	( 42,099 )	-	( 13,118 )	( 14,542 )	( 2,226 )	( 71,985 )
Net interest income (loss)	15,823	148,947	14,928	( 6,532 )	18,248	5,106	196,520
Provision for credit losses - (benefit) expense	( 260 )	15,418	( 2,439 )	( 69 )	82	( 565 )	12,167
Non-interest income	3,019	23,406	4,501	83	901	2,073	33,983
Direct non-interest expenses	6,705	42,645	10,339	1,071	9,110	6,591	76,461
Segment income (loss)	<u>\$ 12,397</u>	<u>\$ 114,290</u>	<u>\$ 11,529</u>	<u>\$ ( 7,451 )</u>	<u>\$ 9,957</u>	<u>\$ 1,153</u>	<u>\$ 141,875</u>
Average earning assets	\$ 2,126,465	\$ 3,472,998	\$ 4,022,173	\$ 5,900,314	\$ 2,087,816	\$ 413,219	\$ 18,022,985

	Mortgage Banking	Consumer (Retail) Banking	Commercial and Corporate Banking	Treasury and Investments	United States Operations	Virgin Islands Operations	Total
(In thousands)							
<b>Quarter ended March 31, 2023:</b>							
Interest income	\$ 31,907	\$ 83,174	\$ 62,343	\$ 27,466	\$ 31,114	\$ 6,392	\$ 242,396
Net (charge) credit for transfer of funds	( 10,119 )	77,735	( 47,403 )	( 19,539 )	( 674 )	-	-
Interest expense	-	( 23,165 )	-	( 8,585 )	( 9,510 )	( 251 )	( 41,511 )
Net interest income (loss)	21,788	137,744	14,940	( 658 )	20,930	6,141	200,885
Provision for credit losses - (benefit) expense	( 506 )	15,224	( 2,536 )	( 9 )	4,655	( 1,326 )	15,502
Non-interest income	3,074	22,034	4,175	160	847	2,228	32,518
Direct non-interest expenses	5,087	41,627	9,365	947	8,304	6,825	72,155
Segment income (loss)	<u>\$ 20,281</u>	<u>\$ 102,927</u>	<u>\$ 12,286</u>	<u>\$ ( 1,436 )</u>	<u>\$ 8,818</u>	<u>\$ 2,870</u>	<u>\$ 145,746</u>
Average earning assets	\$ 2,171,061	\$ 3,174,150	\$ 3,713,633	\$ 6,216,498	\$ 2,067,848	\$ 366,338	\$ 17,709,528

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

	<b>Quarter Ended March</b>	
	<b>2024 31,</b>	<b>2023</b>
(In thousands)		
<b>Net income:</b>		
Total income for segments	\$ 141,875	\$ 145,746
Other non-interest expenses <sup>(1)</sup>	<u>44,462</u>	<u>43,113</u>
Expenses before income taxes	97,413	102,633
Income tax expense	23,955	31,935
Total consolidated net income	<u>\$ 73,458</u>	<u>\$ 70,698</u>
<b>Average assets:</b>		
Average earning assets for segments	\$ 18,022,985	\$ 17,709,528
Average non-earning assets	835,314	847,628
Total consolidated average	<u>\$ 18,858,299</u>	<u>\$ 18,557,156</u>

(1) Expenses pertaining to corporate administrative functions that support the operating segment, but are not specifically attributable to or managed by any segment, are not included in the results of the operating segments. The unallocated corporate expenses include certain general and administrative expenses and related depreciation and amortization.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 20 – SUPPLEMENTAL STATEMENT OF CASH FLOWS INFORMATION**

Supplemental statement of cash flows information is as follows for the indicated periods:

	<b>Quarter Ended March</b>	
	<b>2024<sup>21</sup></b>	<b>2023</b>
(In thousands)		
for: Interest	\$ 67,322	\$ 37,798
Income tax	-	10,926
Operating cash flow from operating	4,362	4,316
leases investing and financing		
activities:		
Additions to	1,213	6,414
OREO	15,710	15,356
Additions to auto and other repossessed	460	532
Capitalization of servicing	24,266	28,736
Loan securitizations	118	2,345
Loans held for investment transferred to held for sale	-	1,008
Loans held for sale transferred to held for investment	3,926	1,630
Right-of-use assets obtained in exchange for operating lease		
liabilities		
Net of lease		
terminations		

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

NOTE 21 – REGULATORY MATTERS, COMMITMENTS AND CONTINGENCIES

## **Regulatory Matters**

The Corporation and FirstBank are each subject to various regulatory capital requirements imposed by the agencies. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions undertaken, could have a direct material adverse effect on the Corporation's financial statements and the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation's capital levels that involve quantitative measures of the Corporation's and FirstBank's assets, liabilities, and shareholders' equity calculated under regulatory accounting practices. The Corporation's capital amounts and classification are subject to judgments and adjustment by the regulators with respect to minimum capital requirements, components, risk weightings factors. As of March 31, 2024 and December 31, 2023, the Corporation and FirstBank exceeded the capital ratios for capital adequacy purposes and FirstBank exceeded the minimum regulatory capital ratios to be capitalized institution under the regulatory framework for prompt corrective action. As of March 31, 2024, being together and no condition has changed or event has occurred that would have changed the institution's status.

The Corporation and FirstBank compute risk-weighted assets using the standardized approach required by the U.S. rules for "Bank capital".

The Basel III rules require the Corporation to maintain an additional capital conservation buffer of 2.5% of certain capital ratios to avoid limitations on both (i) capital distributions (purchases of capital instruments, dividends and payments on capital instruments) and (ii) discretionary bonus payments to executive officers and heads of major business lines.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The regulatory capital position of the Corporation and FirstBank as of March 31, 2024 and December 31, 2023, ~~as of the date of~~ the full effect of CECL on regulatory capital, were as follows:

	Regulatory Requirements							
	Actual		For Capital Adequacy Purposes		To be Well-Capitalized Thresholds			
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in thousands)								
<b>As of March 31, 2024</b>								
Total Capital (to Risk-Weighted Assets)								
First BanCorp.	\$ 2,388,964	18.30%	\$ 1,040,707	8.0%			N/A	N/A
FirstBank	\$ 2,360,406	18.15%	\$ 1,040,576	8.0%	\$ 1,300,720	10.0%		
CET1 Capital (to Risk-Weighted Assets)								
First BanCorp.	\$ 2,068,978	15.90%	\$ 585,398	4.5%			N/A	N/A
FirstBank	\$ 2,097,291	16.12%	\$ 585,324	4.5%	\$ 845,468	6.5%		
Tier I Capital (to Risk-Weighted Assets)								
First BanCorp.	\$ 2,068,978	15.90%	\$ 780,531	6.0%			N/A	N/A
FirstBank	\$ 2,197,291	16.89%	\$ 780,432	6.0%	\$ 1,040,576	8.0%		
Leverage ratio								
First BanCorp.	\$ 2,068,978	10.65%	\$ 777,406	4.0%			N/A	N/A
FirstBank	\$ 2,197,291	11.31%	\$ 777,103	4.0%	\$ 971,379	5.0%		
<b>As of December 31, 2023</b>								
Total Capital (to Risk-Weighted Assets)								
First BanCorp.	\$ 2,403,319	18.57%	\$ 1,035,589	8.0%			N/A	N/A
FirstBank	\$ 2,376,003	18.36%	\$ 1,035,406	8.0%	\$ 1,294,257	10.0%		
CET1 Capital (to Risk-Weighted Assets)								
First BanCorp.	\$ 2,084,432	16.10%	\$ 528,519	4.5%			N/A	N/A%
FirstBank	\$ 2,113,995	16.33%	\$ 582,416	4.5%	\$ 841,267	6.5%		
Tier I Capital (to Risk-Weighted Assets)								
First BanCorp.	\$ 2,084,432	16.10%	\$ 776,692	6.0%			N/A	N/A
FirstBank	\$ 2,213,995	17.11%	\$ 776,554	6.0%	\$ 1,035,406	8.0%		
Leverage ratio								
First BanCorp.	\$ 2,084,432	10.75%	\$ 773,615	4.0%			N/A	N/A
FirstBank	\$ 2,213,995	11.45%	\$ 773,345	4.0%	\$ 966,682	5.0%		

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

***Commitments***

The Corporation enters into financial instruments with off-balance sheet risk in the normal course of business to meet needs of its customers. These financial instruments may include commitments to extend credit and standby letters of credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any conditions established. Commitments generally have fixed expiration dates or other termination clauses. Since certain commitments are expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. For letters of credit, the Corporation has the option to reevaluate the agreement prior to additional drawdowns. As of March 31, 2024, commitments to extend credit amounted to approximately \$20 billion, of which \$0.9 billion relates to retail card loans. In addition, commercial and financial standby letters of credit as of March 31, 2024 amounted to approximately \$74.0 million.

***Contingencies***

As of March 31, 2024, First BanCorp. and its subsidiaries were defendants in various legal proceedings, contingencies arising from the ordinary course of business. On at least a quarterly basis, the Corporation assesses its potential risk with threatened and outstanding legal proceedings, claims and other loss contingencies utilizing the latest information available. For legal proceedings, claims and other loss contingencies where it is both probable that the Corporation will lose and the amount can be reasonably estimated, the Corporation establishes an accrual for the loss. For those established losses, the amount is appropriate to reflect any relevant developments. For legal proceedings, claims and other loss contingencies, if probable or the amount of the loss cannot be estimated, no accrual is established.

Any estimate involves significant judgment, given the varying stages of the proceedings (including the fact that some are in the preliminary stages), the existence in some of the current proceedings of multiple defendants whose share of liability has determined, the numerous unresolved issues in the proceedings, and the inherent uncertainty of the outcome of potential proceedings. Accordingly, the Corporation's estimate will change from time to time, and actual losses may be more than the current estimate.

While the final outcome of legal proceedings, claims, and other loss contingencies is inherently uncertain, currently available information management believes that the final disposition of the Corporation's legal proceedings, claims and other losses to the extent not previously provided for, will not have a material adverse effect on the Corporation's consolidated financial position.

If management believes that, based on available information, it is at least reasonably possible that a material loss (or expense) will be incurred in connection with any legal contingencies, the Corporation discloses possible loss or range of loss, either individually or in the aggregate, as appropriate, if such an estimate can be made, or disclosure cannot be made. Based on the Corporation's assessment as of March 31, 2024, no such disclosures were necessary.

On November 16, 2023, the FDIC approved a final rule to implement a special assessment to recover the losses to insured deposits with protecting uninsured depositors following the closure of Silicon Valley Bank and Signature Bank in the first half of 2023. Under the final rule, the FDIC will collect the special assessment at quarterly rate of 3.36 basis points for the first quarterly assessment period of 2024 (i.e., January 1 through March 31, 2024) with an invoice payable in April 2024, and will continue to collect special assessments for an anticipated total of eight quarterly assessments. The special assessment is equal to the estimated uninsured deposits reported for the December 31, 2022 reporting period, adjusted first \$5 billion of such amount. In association with this final rule and as required by ASC Topic 450, as of December 31, 2023, the Corporation recorded an initial special assessment of \$6.3 million.

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

On February 23, 2024, the FDIC informed that the estimated loss attributable to the protection of uninsured ~~and depositors of failed~~ institutions is \$20.4 billion, an increase of approximately \$4.1 billion from the estimate of \$16.3 billion in the final rule. The estimated loss may be partially offset by any potential future recoveries from ~~the losses in the~~ ~~the~~ ~~trusts~~. In connection with this notice, during the first quarter of 2024, the Corporation recorded an additional expense in the consolidated statements of income as part of “FDIC deposit insurance” expenses to ~~FDIC special assessment~~ ~~amount~~ to \$7.3 million.

The FDIC retains the ability to cease collection early, extend the special assessment collection period beyond collection period or impose an additional shortfall special assessment on a one-time basis after the receiverships of ~~institutions~~ ~~are~~ ~~determined~~. The collection period may change due to updates to the estimated loss pursuant to the ~~initial~~ ~~first~~ ~~assessments~~ collected change due to corrective amendments to the amount of uninsured deposits ~~December 31~~ ~~the~~ ~~2022~~ reporting period. The FDIC will provide any updates on the estimated loss and collection period ~~as soon as possible~~ with the first quarter 2024 special assessment invoice, to be released in June 2024.

The federal financial regulatory agencies may take other measures to address macroeconomic conditions, as well ~~regional bank~~ ~~failures~~ in the U.S. mainland during the first half of 2023, although the nature and impact of ~~predicted and anticipated~~ be

**FIRST BANCORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**NOTE 22 – FIRST BANCORP. (HOLDING COMPANY ONLY) FINANCIAL INFORMATION**

The following condensed financial information presents the financial position of First BanCorp. at the holding company as of ~~March~~ 31, 2024 and December 31, 2023, and the results of its operations for the quarters ended March 31, 2024 and 2023:

**Statements of Financial Condition**

	<b>As of March 31,</b>	<b>As of December</b>
	<b>2024</b>	<b>31, 2023</b>
(In thousands)		
<b>Assets</b>		
Cash and due from banks	\$ 11,420	\$ 11,452
Other investment securities	975	825
Investment in First Bank Puerto Rico, at equity	1,608,030	1,627,172
Investment in First Bank Insurance Agency, at equity	21,509	18,376
Investment in FBP Statutory Trust I	1,289	1,289
Investment in FBP Statutory Trust II	3,561	3,561
Dividends receivable	709	713
Other assets	679	476
<b>Total assets</b>	<b>\$ 1,648,172</b>	<b>\$ 1,663,864</b>
<b>Liabilities and Stockholders' Equity</b>		
Liabilities:		
Long-term borrowings	\$ 161,700	\$ 161,700
Accounts payable and other liabilities	6,755	4,555
<b>Total liabilities</b>	<b>168,455</b>	<b>166,255</b>
Stockholders' equity	1,479,717	1,497,609
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,648,172</b>	<b>\$ 1,663,864</b>

**Statements of Income**

	<b>Quarter Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
(In thousands)		
<b>Income</b>		
Interest income on money market investments	\$ 63	\$ 53
Dividend income from banking subsidiaries	80,917	78,870
Other income	101	102
<b>Total income</b>	<b>81,081</b>	<b>79,025</b>
<b>Expense</b>		
Interest expense on long-term borrowings	3,350	3,381
Other non-interest expenses	439	410
<b>Total expense</b>	<b>3,789</b>	<b>3,791</b>
<b>Income before income taxes and equity in undistributed earnings of subsidiaries</b>	<b>77,292</b>	<b>75,234</b>
<b>Income tax expense</b>	<b>1</b>	<b>1</b>
<b>Equity in undistributed earnings of subsidiaries (distribution in excess of earnings)</b>	<b>( 3,833 )</b>	<b>( 4,535 )</b>
<b>Net income</b>	<b>\$ 73,458</b>	<b>\$ 70,698</b>
Other comprehensive (loss) income, net of tax	( 15,065 )	87,228
<b>Comprehensive income</b>	<b>\$ 58,393</b>	<b>\$ 157,926</b>

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

The following MD&A relates to the accompanying unaudited consolidated financial statements of First ~~Corporation~~, ("we," "us," "our," or "First BanCorp.") and should be read in conjunction with such financial statements and the ~~testo~~, and our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Annual Report on ~~Ko~~ in ~~the~~ section also presents certain financial measures that are not based on generally accepted accounting principles in the ~~States~~ of America ("GAAP"). See "Non-GAAP Financial Measures and Reconciliations" below for information about ~~GAAP~~ financial measures are presented, reconciliations of non-GAAP financial measures to the most comparable GAAP ~~measur~~, and references to non-GAAP financial measures reconciliations presented in other sections.

## EXECUTIVE SUMMARY

First BanCorp. is a diversified financial holding company headquartered in San Juan, Puerto Rico offering a full range of products to consumers and commercial customers through various subsidiaries. First BanCorp. is the holding company of FirstBank Puerto Rico ("FirstBank" or the "Bank") and FirstBank Insurance Agency. Through its wholly-owned subsidiaries, the Company in Puerto Rico, the United States Virgin Islands ("USVI"), the British Virgin Islands ("BVI"), and the state of El Salvador, on commercial banking, residential mortgage loans, credit cards, personal loans, small loans, auto loans and leases, and agency activities.

### ***Recent Developments***

Economy and Market Volatility

The Corporation continued to successfully navigate the challenging interest rate cycle by delivering another quarter of strong results. Consistent with its guidance, the loan portfolio grew for the ninth consecutive quarter, expenses were managed effectively, and over 100% of earnings was returned to shareholders during the first quarter of 2024 in the form of dividends. Core deposits, other than government and brokered, stabilized during the quarter although some customers seeking higher yields in time deposits continued as expected. Early delinquency metrics improved and the advantage of market opportunities to sell a portfolio of previously charged-off consumer loans which positively impacted the provision expense for the first quarter of 2024.

Furthermore, the Corporation remains vigilant of the interest rate market environment. Following its May 1, 2024 ~~Federal Reserve~~ announcement, the Federal Reserve announced its decision to leave the federal funds rate unchanged, at a target rate of 5.25% to 5.50%, and ~~then~~ ~~the~~ ~~is~~ ~~prepared~~ to maintain the current target range for the federal funds rate for longer. The Federal Reserve ~~advised~~ ~~that~~ ~~its~~ next move will be a rate hike even after indications that inflation continues to be more resilient than expected.

Under a higher-for-longer interest rate environment, the Corporation expects to be margin accretive for the year and positioned to redeploy cash inflows from repayments of the investment securities portfolio, which are expected at approximately \$900m for the remainder of the year, into higher-yielding assets. Moreover, although the Corporation expects some further increased deposits, it expects other deposits to remain stable. Also, the Corporation expects to register mid-single-digit loan growth in business since it remains encouraged by commercial and auto loan activity and loan origination opportunities available both in Puerto Rico and the Florida region.

### *Return of Capital to Shareholders*

In the first quarter of 2024, the Corporation returned approximately \$76.6 million, or over 100% of first quarter 2024 its ~~shareholders~~ through \$50.0 million in repurchases of common stock and the payment of \$26.6 million in common stock ~~dividends reflects~~ an increase in the common stock dividend of 14%, from \$0.14 per share in the fourth quarter of 2023 to \$0.16 per ~~share~~ first quarter of 2024. As of May 2, 2024, the Corporation has remaining authorization to repurchase ~~approximately~~ ~~approximately~~ \$0.55 stock, which it expects to execute through the end of the third quarter of 2024. The Corporation expects to ~~update~~ its capital plan during the second quarter of 2024.

### *Strategic Partnership with nCino*

In the first quarter of 2024, the Corporation partnered with nCino, a financial technology company that provides solutions for the global financial services industry, to offer a more modern commercial banking experience for its customers as part of digital transformation initiatives. These innovations, which represent an estimated investment of approximately \$15 million, enhance the customer experience by providing simplicity in online commercial operations and shortening loan cycle times, while also improving the lending and portfolio management capabilities for FirstBank Puerto Rico's employees by simplifying the loan cycle and shortening credit response times.

### **CRITICAL ACCOUNTING POLICIES AND PRACTICES**

The accounting principles of the Corporation and the methods of applying these principles conform to GAAP. In consolidated financial statements, management is required to make estimates, assumptions, and judgments that affect the reported assets, liabilities and contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Note 1 of the Notes to Consolidated Financial Statements included in our Report on Form 10-K, as supplemented by this Quarterly Report on Form 10-Q, including this MD&A, describes the significant policies we used in our consolidated financial statements.

Not all significant accounting policies require management to make difficult, subjective or complex judgments. Critical estimates those estimates made in accordance with GAAP that involve a significant level of uncertainty and have or likely to have a material impact on the Corporation's financial condition and results of operations. The Corporation's accounting estimates that are particularly susceptible to significant changes include, but are not limited to, the following: (i) provision for credit losses ("ACL"); (ii) valuation of financial instruments; and (iii) income taxes. For more information regarding valuation of financial instruments and income taxes policies, assumptions, and judgments, see "Critical Accounting Estimates" in Part Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")," in the 2023 Report on Form 10-K. The "Risk Management – Credit Risk Management" section of this MD&A details the assumptions, and judgments related to the ACL. Actual results could differ from estimates and assumptions if different outcomes prevail.

### **Overview of Results of Operations**

The Corporation's results of operations depend primarily on its net interest income, which is the difference between its net interest income on its interest-earning assets, including investment securities and loans, and the interest expense on its interest-bearing liabilities, including deposits and borrowings. Net interest income is affected by various factors, including: (i) the interest rate environment; (ii) the volumes, mix, and composition of interest-earning assets, and liabilities; and (iii) the repricing characteristics of these assets and liabilities. The Corporation's results of operations also depend on provision for credit losses, non-interest expenses (such as personnel, occupancy, professional service fees, the premium insurance costs), non-interest income (mainly service charges and fees on deposits, cards and processing insurance income), gains (losses) on mortgage banking activities, and income taxes.

The Corporation had net income of \$73.5 million, or \$0.44 per diluted common share, for the quarter ended March 31, 2024, to \$70.7 million, or \$0.39 per diluted common share, for the quarter ended March 31, 2023. Other financial information for the periods presented are included below:

<b>Key Performance Indicator<sup>(1)</sup></b>	<b>Quarter Ended March 31,</b>	
	<b>2024</b>	<b>2023</b>
Return on Average Assets	1.56 %	1.55 %
Return on Average Common Equity	19.56	21.00
Efficiency Ratio <sup>(4)</sup>	52.46	49.39

(1) These financial ratios are used by management to monitor the Corporation's financial performance and whether it is using its assets efficiently.

(2) Indicates how profitable the Corporation is in relation to its total assets and is calculated by dividing net income on an annualized basis by its average total assets.

(3) Measures the Corporation's performance based on its average common stockholders' equity and is calculated by dividing net income on an annualized basis by its average total stockholders' equity.

(4) Measures how much the Corporation incurred to generate a dollar of revenue and is calculated by dividing non-interest expenses by total revenue.

The key drivers of the Corporation's GAAP financial results for the quarter ended March 31, 2024, compared to the first quarter of 2023 include the following:

- Net interest income for the quarter ended March 31, 2024 decreased to \$196.5 million, compared to \$200.9 million for the first quarter of 2023, mainly driven by an increase in interest expense due to higher rates paid on interest-bearing assets in a higher interest rate environment and a change in deposit mix, partially offset by the effect of higher market rates on the upward repricing of variable-rate commercial loans as well as the effect of higher average loan balances with cash flows from the lower-yielding investment securities portfolio. See "Results of Operations – Net Interest Income" below for additional information.
- The provision for credit losses on loans, finance leases, unfunded loan commitments and debt securities for the quarter ended March 31, 2024 was \$12.2 million, compared to \$15.5 million for the first quarter of 2023. The decrease in the provision was primarily related to the effect during the first quarter of 2024 of a \$9.5 million recovery associated with the sale of fully charged-off consumer loans and a \$5.0 million recovery of a commercial and industrial ("C&I") loan in the region, partially offset by increases in charge-off levels in the consumer loans and finance leases portfolio.

Net charge-offs totaled \$11.2 million for the quarter ended March 31, 2024, or 0.37% of average loans on an annualized basis compared to \$13.3 million, or an annualized 0.46% of average loans, for the first quarter of 2023. The decrease in the aforementioned bulk sale of fully charged-off consumer loans reduced the ratio of total net charge-offs to loans for the first quarter of 2024 by approximately 31 basis points ("bps"). See "Results of Operations – Provision for Credit Losses" and "Risk Management" below for analyses of the ACL and non-performing assets and related ratios.

- The Corporation recorded non-interest income of \$34.0 million for the quarter ended March 31, 2024, compared to \$32.5 million for the first quarter of 2023. See "Results of Operations – Non-Interest Income" below for additional information.
- Non-interest expenses for the quarter ended March 31, 2024 increased by \$5.6 million to \$120.9 million, of which \$2.1 million related to an increase in employees' compensation and benefits expenses mainly driven by annual salary increases. The efficiency ratio for the first quarter of 2024 was 52.46%, compared to 49.39% for the same period in 2023. See "Results of Operations – Non-Interest Expenses" below for additional information.
- Income tax expense decreased to \$23.9 million for the first quarter of 2024, compared to \$31.9 million for the same period driven by a lower estimated effective tax rate and, to a lesser extent, by lower pre-tax income. The estimated effective tax rate, excluding entities with pre-tax losses from which a tax benefit cannot be recognized and decreased to 24.3% for the first quarter of 2024, compared to 31.2% for the first quarter of 2023. See "Income Taxes" and Note 16 – "Income Taxes," to the unaudited consolidated financial statements herein for additional information.
- As of March 31, 2024, total assets were approximately \$18.9 billion, a decrease of \$18.6 million from December 31, 2023, primarily related to a \$15.1 million decrease in the fair value of available-for-sale debt securities. Total assets impacted by repayments of investment securities, partially offset by an increase in total loans.
- As of March 31, 2024, total liabilities were \$17.4 billion, a decrease of \$0.7 million from December 31, 2023, which includes a \$10.4 million decrease in total deposits. See "Risk Management – Liquidity Risk" below for additional information on the Corporation's funding sources and strategy.
- The Bank's primary sources of funding are consumer and commercial core deposits, which exclude government deposits brokered CDs. As of March 31, 2024, these core deposits, amounting to \$12.6 billion, funded 66.57% of total deposits, including fully collateralized government deposits, estimated uninsured deposits amounted to \$4.4 billion as of March 31, addition to approximately \$2.0 billion in cash and free high-quality liquid assets, the Bank maintains approximately at the FHLB and the FED's Discount Window. As of March 31, 2024, the Corporation had approximately \$1.6 billion funding under the FED's Discount Window and \$972.5 million available for additional funding on FHLB lines of credit based on collateral pledged at these entities. On a combined basis, as of March 31, 2024, the Corporation had \$5.4 billion, or 121% of estimated uninsured deposits, available to meet liquidity needs. See "Risk Management – Liquidity Risk" below for additional information about the Corporation's funding sources and strategy.

- As of March 31, 2024, the Corporation's total stockholders' equity was \$1.5 billion, a decrease of \$17.9 million from December 31, 2023. The decrease was driven by the repurchase of approximately 3.0 million shares of common stock of \$50.0 million, common stock dividends declared in the first quarter of 2024 totaling \$26.9 million or \$0.16 per common share, and a \$15.1 million decrease in the fair value of available-for-sale debt securities recorded as a component of other comprehensive loss in the consolidated statements of financial condition. These variances were partially offset by the net income generated in the first quarter of 2024. The Corporation's CET1 capital, tier 1 capital, total capital, leverage ratios were 15.90%, 15.90%, 18.36%, and 10.65%, respectively, as of March 31, 2024, compared to 16.10%, 16.10%, 18.57%, and 10.78%, respectively, as of December 31, 2023. See "Risk Management – Capital" below for additional information.
- Total loan production, including purchases, refinancings, renewals, and draws from existing revolving and non-revolving credit facilities, increased by \$8.6 million to \$1.2 billion for the quarter ended March 31, 2024, as compared to the first quarter of 2023, driven by a higher volume of C&I loan originations. See "Results of Operations – Loan Production" below for additional information.
- Total non-performing assets were \$129.6 million as of March 31, 2024, an increase of \$3.7 million, from December 31, 2023, driven by the inflow to nonaccrual status of a \$10.5 million C&I loan in the Florida region in the power generation segment during the first quarter of 2024, partially offset by a \$3.8 million decrease in the other real estate owned (OREO) balance and a \$1.9 million decrease in other repossessed property. See "Risk Management – Nonaccrual Non-Performing Assets" below for additional information.
- Adversely classified commercial and construction loans increased by \$9.0 million to \$76.5 million as of March 31, 2024, to December 31, 2023, also driven by the aforementioned inflow to nonaccrual status of a \$10.5 million C&I loan in the Florida region.

## NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS

The Corporation has included in this Quarterly Report on Form 10-Q the following financial measures that are not recognized under GAAP, which are referred to as non-GAAP financial measures:

### *Net Interest Income, Interest Rate Spread, and Net Interest Margin, Excluding Valuations, and on a Tax -Equivalent Basis*

Net interest income, interest rate spread, and net interest margin, excluding the changes in the fair value of derivative instruments on a tax-equivalent basis, are reported in order to provide to investors additional information about the Corporation's net interest that management uses and believes should facilitate comparability and analysis of the periods presented. The changes in derivative instruments have no effect on interest due or interest earned on interest-bearing liabilities or interest-earning assets respectively. The tax-equivalent adjustment to net interest income recognizes the income tax savings when comparing taxable assets and assumes a marginal income tax rate. Income from tax-exempt earning assets is increased by the taxes that would have been paid if this income had been taxable at statutory rates. Management believes that it is standard practice in the banking industry to present net interest income, interest rate spread, and net interest margin on a tax-equivalent basis. This adjustment puts all earning assets, most notably tax-exempt securities and tax-exempt loans, on a common basis and facilitates comparison of results to the results of peers.

See "Results of Operations – Net Interest Income" below, for the table that reconciles net interest income in accordance with GAAP to the non-GAAP financial measure of net interest income, excluding valuations, and on a tax-equivalent basis for the periods indicated also reconciles net interest spread and net interest margin on a GAAP basis to these items excluding valuations on a tax-equivalent basis.

### *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 financial measures that are generally used by the financial community to evaluate capital adequacy. Tangible common equity is total common equity less goodwill and other intangibles. Similarly, tangible assets are total assets less goodwill and other intangibles. Tangible equity ratio is tangible common equity divided by tangible assets. Tangible book value per common share is tangible assets divided by common shares outstanding. 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 ratios of companies with significant amounts of goodwill or other intangible assets, typically stemming from the use of the purchase method of accounting for mergers and acquisitions. Accordingly, the Corporation believes that disclosures of these financial measures are useful to investors. Neither tangible common equity nor tangible assets, or the related measures, should be considered in isolation 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 the companies reporting measures with similar names.

See "Risk Management – Capital" below for the table that reconciles the Corporation's total equity and total assets in accordance with GAAP to the tangible common equity and tangible assets figures used to calculate the non-GAAP financial measures of tangible equity ratio and tangible book value per common share.

#### *Adjusted Net Income and Adjusted Non-Interest Expenses*

To supplement the Corporation's financial statements presented in accordance with GAAP, the Corporation uses, and ~~before benefit~~ from disclosure of, non-GAAP financial measures that reflect adjustments to net income and non-interest ~~expenses~~ that management believes are not reflective of core operating performance ("Special Items"). The financial ~~results~~ ~~for the quarter ended March 31, 2023 did not include any significant Special Items. The financial results for the quarter ended March 31, 2024~~ included the following Special Item:

##### *FDIC Special Assessment Expense*

- On November 16, 2023, the FDIC approved a final rule to implement a special assessment to recover the loss to the ~~Deposit~~ Fund associated with protecting uninsured deposits following certain financial institution failures during ~~the first~~ 2023. Under the final rule, the FDIC will collect the special assessment at a quarterly rate of 3.36 bps to be applied ~~as~~ a special assessment base during an eight-quarter collection period. The base for the special assessment is ~~estimated~~ the uninsured deposits reported for the December 31, 2022 reporting period, adjusted to exclude the first \$5 billion amount. During the first quarter of 2024, the FDIC informed that the estimated loss attributable to the ~~protected~~ ~~depositors~~ of the financial institution failures increased, when compared with the estimate described ~~in the AFSA~~ in the AFSA, the Corporation recorded a \$0.9 million (\$0.6 million after-tax, calculated based on the statutory ~~3.365%~~ ~~3.365%~~ additional expense to increase the estimated FDIC special assessment to \$7.3 million. The FDIC special ~~recorded~~ in the consolidated statements of income as part of "FDIC deposit insurance" expenses.

**Adjusted Net Income** – The following table reconciles for the quarter ended March 31, 2024, net income to adjusted net ~~income~~ ~~GAAP~~ financial measure that excludes the Special Item identified above, and shows net income for the quarter ended ~~March 31,~~

	<b>Quarter Ended March</b>	
	<b>2024 31,</b>	<b>2023</b>
(In thousands) Net income, as reported (GAAP)	\$ 73,458	\$ 70,698
Adjustments:		
FDIC special assessment expense	947	-
Income tax impact of adjustment	(355)	-
Adjusted net income (Non-GAAP)	<b>\$ 74,050</b>	<b>\$ 70,698</b>

## RESULTS OF OPERATIONS

### ***Net Interest Income***

Net interest income is the excess of interest earned by First BanCorp. on its interest-earning assets over the interest rate risk in its liabilities. First BanCorp.'s net interest income is subject to interest rate risk due to the repricing and maturity of the Corporation's assets and liabilities. In addition, variable sources of interest income, such as loan fees and periodic collection of interest in nonaccrual loans, can fluctuate from period to period. Net interest income for the quarter ended March 31, 2024 was \$196.5 million, compared to \$200.9 million for the comparable period in 2023. On a tax-equivalent basis, the changes in the fair value of derivative instruments, net interest income for the quarter ended March 31, 2024 was \$200.8 million compared to \$207.2 million for the comparable period in 2023.

The following tables include a detailed analysis of net interest income for the indicated periods. Part I presents (based on average daily balance) and rates on an adjusted tax-equivalent basis and Part II presents, also on an equivalent basis, the extent to which changes in interest rates and changes in the volume of interest-related assets and liabilities have affected the Corporation's net interest income. For each category of interest-earning assets and interest-bearing liabilities, the tables show the effect of changes in (i) volume (changes in volume multiplied by prior period rates), and (ii) rate (changes in rate multiplied by prior period volumes). The Corporation has allocated rate-volume variances (changes in rate multiplied by volume) to either the changes in volume or the changes in rate based upon the effect of each factor on the combined totals.

Net interest income on an adjusted tax-equivalent basis and excluding the changes in the fair value of derivative non-GAAP financial measure. For the definition of this non-GAAP financial measure, refer to the discussion in "Financial Measures and Reconciliations" above.

## Part I

Quarter ended March 31, (Dollars in thousands)	Average volume		Interest income <sup>(1)</sup> / expense		Average rate <sup>(1)</sup>	
	2024	2023	2024	2023	2024	2023
<b>Interest-earning assets:</b>						
Money market and other short-term investments	\$ 533,747	\$ 404,249	\$ 7,254	\$ 4,650	5.45 %	4.67%
Government obligations <sup>(2)</sup>	2,684,169	2,909,976	9,053	10,765	1.35 %	1.50%
MBS	3,451,293	3,864,145	15,238	19,396	1.77 %	2.04%
FHLB stock	34,635	40,838	854	421	9.89 %	4.18%
Other investments	16,551	13,139	66	139	1.60 %	4.29%
<b>Total investments<sup>(3)</sup></b>	<b>6,720,395</b>	<b>7,232,347</b>	<b>32,465</b>	<b>35,371</b>	<b>1.94 %</b>	<b>1.98%</b>
Residential mortgage loans	2,810,304	2,835,240	40,473	39,794	5.78 %	5.69%
Construction loans	218,854	146,041	4,537	2,676	8.32 %	7.43%
C&I and commercial mortgage loans	5,504,782	5,167,727	99,074	85,885	7.22 %	6.74%
Finance leases	863,685	735,500	17,127	13,809	7.95 %	7.61%
Consumer loans	2,810,215	2,634,891	79,640	71,214	11.37 %	10.98%
<b>Total loans<sup>(4)(5)</sup></b>	<b>12,207,840</b>	<b>11,519,399</b>	<b>240,851</b>	<b>213,378</b>	<b>7.91 %</b>	<b>7.51%</b>
<b>Total interest-earning assets</b>	<b>\$ 18,928,235</b>	<b>\$ 18,751,746</b>	<b>\$ 273,316</b>	<b>\$ 248,749</b>	<b>5.79 %</b>	<b>5.38%</b>
<b>Interest-bearing liabilities:</b>						
Time deposits	\$ 2,892,355	\$ 2,342,360	\$ 24,410	\$ 10,782	3.39 %	1.87%
Brokered certificates of deposit ("CDs")	749,760	166,698	9,680	1,587	5.18 %	3.86%
Other interest-bearing deposits	7,534,344	7,544,901	28,935	17,516	1.54 %	0.94%
Securities sold under agreements to repurchase	-	91,004	-	1,069	- %	4.76%
Advances from the FHLB	500,000	629,167	5,610	7,176	4.50 %	4.63%
Other borrowings	161,700	183,762	3,350	3,381	8.31 %	7.46%
<b>Total interest-bearing liabilities</b>	<b>\$ 11,838,159</b>	<b>\$ 10,957,892</b>	<b>\$ 71,985</b>	<b>\$ 41,511</b>	<b>2.44 %</b>	<b>1.54%</b>
Net interest income on a tax-equivalent basis and excluding valuations - non-GAAP			\$ 201,331	\$ 207,238		
Interest rate spread					3.35 %	3.84%
Net interest margin					1.27 %	1.49%

Net interest margin 4.27 % 4.48 %

rate of 37.5% and adding to it the cost of interest-bearing liabilities. The tax-equivalent adjustment recognizes the income tax savings when comparing taxable and tax-exempt assets. Management believes that it is a standard practice in the banking industry to present net interest income, interest rate spread and net interest margin on a fully tax-equivalent basis. The Corporation excludes changes in the fair value

Therefore, management believes these measures provide useful information to investors by allowing them to make peer comparisons.

derivatives from interest income because the changes in valuation do not affect interest received. See "Non-GAAP Financial Measures and Reconciliations" above.

(2) Government obligations include debt issued by government-sponsored agencies.

(3) Unrealized gains and losses on available-for-sale debt securities are excluded from the average volumes.

(4) Average loan balances include the average of nonaccrual loans.

(5) Interest income on loans includes \$3.2 million and \$3.1 million for the quarters ended March 31, 2024 and 2023, respectively, of income from prepayment penalties and late fees related to the Corporation's loan portfolio.

## Part II

**Quarter Ended March 31,**

## 2024 Compared to 2023

### Variance due to:

	Variance due to:		
	Volume	Rate	Total
(In thousands)			
Interest income on interest-earning assets:			
Money market and other short-term investments	\$ 1,660	\$ 944	\$ 2,604
Government obligations	(804)	(908)	(1,712)
MBS	(1,963)	(2,195)	(4,158)
FHLB stock	(108)	541	433
Other investments	25	(98)	(73)
<b>Total investments</b>	<b>(1,190)</b>	<b>(1,716)</b>	<b>(2,906)</b>
Residential mortgage loans	(355)	1,034	679
Construction loans	1,465	396	1,861
C&I and commercial mortgage loans	5,860	7,329	13,189
Finance leases	2,498	820	3,318
Consumer loans	4,870	3,556	8,426
<b>Total loans</b>	<b>14,338</b>	<b>13,135</b>	<b>27,473</b>
<b>Total interest income</b>	<b>\$ 13,148</b>	<b>\$ 11,419</b>	<b>\$ 24,567</b>
Interest expense on interest-bearing liabilities:			
Time deposits	\$ 3,020	\$ 10,608	\$ 13,628
Brokered CDs	7,284	809	8,093
Other interest-bearing deposits	(32)	11,451	11,419
Securities sold under agreements to repurchase	(1,069)	-	(1,069)
Advances from the FHLB	(1,440)	(126)	(1,566)
Other borrowings	(431)	400	(31)
<b>Total interest expense</b>	<b>7,332</b>	<b>23,142</b>	<b>30,474</b>
<b>Change in net interest income</b>	<b>\$ 5,816</b>	<b>\$ (11,723)</b>	<b>\$ (5,907)</b>

Portions of the Corporation's interest-earning assets, mostly investments in obligations of some U.S. government agencies and government-sponsored entities ("GSEs"), generate interest that is exempt from income tax, principally in Puerto Rico. Also, ~~and~~ gains on sales of investments held by the Corporation's international banking entities ("IBEs") are tax-exempt under Puerto Rico law (see Note 16 – "Income Taxes" to the unaudited consolidated financial statements herein for additional ~~Management~~ information). It believes that the presentation of interest income on an adjusted tax-equivalent basis facilitates the interpretation of data related to these assets. The Corporation estimated the tax equivalent yield by dividing the interest rate spread ~~assets~~ by 1 less the Puerto Rico statutory tax rate (37.5%) and adding to it the average cost of interest-bearing ~~liabilities~~. The Corporation considers the interest expense disallowance required by Puerto Rico tax law.

Management believes that the presentation of net interest income, excluding the effects of the changes in the fair value of the derivative instruments ("valuations"), provides additional information about the Corporation's net interest income and facilitates comparability and analysis from period to period. The changes in the fair value of the derivative instruments have no effect on interest on interest-earning assets.

The following table reconciles net interest income in accordance with GAAP to net interest income, excluding valuations, interest income on an adjusted tax-equivalent basis for the indicated periods. The table also reconciles net interest margin on a GAAP basis to these items excluding valuations, and on an adjusted tax-equivalent basis:

	Quarter Ended March 31,	
	2024	2023
(Dollars in thousands)		
Interest income - GAAP	\$ 268,505	\$ 242,396
Unrealized (gain) loss on derivative instruments	(2)	6
Interest income excluding valuations - non-GAAP	268,503	242,402
Tax-equivalent adjustment	4,813	6,347
Interest income on a tax-equivalent basis and excluding valuations - non-GAAP	<u>\$ 273,316</u>	<u>\$ 248,749</u>
Interest expense - GAAP	\$ 71,985	\$ 41,511
Net interest income - GAAP	\$ 196,520	\$ 200,885
Net interest income excluding valuations - non-GAAP	\$ 196,518	\$ 200,891
Net interest income on a tax-equivalent basis and excluding valuations - non-GAAP	<u>\$ 201,331</u>	<u>\$ 207,238</u>
<b>Average Balances</b>		
Loans and leases	\$ 12,207,840	\$ 11,519,399
Total securities, other short-term investments and interest-bearing cash balances	6,720,395	7,232,347
Average Interest-Earning Assets	<u>\$ 18,928,235</u>	<u>\$ 18,751,746</u>
Average Interest-Bearing Liabilities	<u>\$ 11,838,159</u>	<u>\$ 10,957,892</u>
Average Assets	\$ 18,858,299	\$ 18,557,156
Average Non-Interest-Bearing Deposits	\$ 5,308,531	\$ 5,999,066
<b>Average Yield/Rate</b>		
Average yield on interest-earning assets - GAAP	5.69%	5.24%
Average rate on interest-bearing liabilities - GAAP	2.44%	1.54%
Net interest spread - GAAP	3.25%	3.70%
Net interest margin - GAAP	4.16%	4.34%
Average yield on interest-earning assets excluding valuations - non-GAAP	5.69%	5.24%
Average rate on interest-bearing liabilities	2.44%	1.54%
Net interest spread excluding valuations - non-GAAP	3.25%	3.70%
Net interest margin excluding valuations - non-GAAP	4.16%	4.34%
Average yield on interest-earning assets on a tax-equivalent basis and excluding valuations - non-GAAP	5.79%	5.38%
Average rate on interest-bearing liabilities	2.44%	1.54%
Net interest spread on a tax-equivalent basis and excluding valuations - non-GAAP	3.35%	3.84%
Net interest margin on a tax-equivalent basis and excluding valuations - non-GAAP	4.27%	4.48%

(1) Includes, among other things, the ACL on loans and finance leases and debt securities, as well as unrealized gains and losses on available-for-sale debt securities.

Net interest income amounted to \$196.5 million for the quarter ended March 31, 2024, a decrease of \$4.4 million, when to \$200.9 million for same period in 2023. The \$4.4 million decrease in net interest income was primarily due to:

- A \$33.1 million increase in interest expense on interest-bearing deposits, consisting of:
  - A \$13.6 million increase in interest expense on time deposits, excluding brokered CDs, of which \$10.6 million was higher rates paid on new issuances and renewals given the overall higher interest rate environment. Time deposits in the first quarter of 2024, excluding brokered CDs, increased 152 bps to 3.39% compared to the same period in 2023. Excluding public sector deposits, the average cost of time deposits for the quarter of 2024, excluding brokered CDs, increased 140 bps to 3.29% when compared to the same period in 2023.
  - An \$11.4 million increase in interest expense on interest-bearing checking and saving accounts, driven by higher interest paid in the first quarter of 2024 also associated with the higher interest rate environment, primarily on public deposits. The average cost of interest-bearing checking and saving accounts increased by 60 bps to 0.75% in the first quarter of 2024 compared to 0.94% in the same period in 2023. Excluding public sector deposits, the average interest-bearing checking and saving accounts for the first quarter of 2024 was 0.75%, compared to 0.60% for the period a year ago.
  - An \$8.1 million increase in interest expense on brokered CDs, mainly driven by a \$583.1 million increase in the average.
- A \$0.4 million decrease in interest income from interest-bearing cash balances and investment securities, consisting of:
  - A \$3.4 million decrease in interest income from debt securities, mainly driven by a \$638.7 million decrease in balance.

Partially offset by:

- A \$2.6 million increase in interest income from interest-bearing cash balances, which consisted primarily of deposited at the FED, of which \$1.7 million was driven by a \$129.5 million increase in the average balance.
- A \$0.4 million increase in dividend income on equity securities, associated with income from FHLB stock.

Partially offset by:

- A \$26.4 million increase in interest income on loans including:
  - A \$14.0 million increase in interest income on commercial and construction loans, driven by an \$8.0 million ~~increased~~ with a \$409.9 million increase in the average balance, and a \$6.0 million increase related to ~~the effect of~~ interest rates on the upward repricing of variable-rate loans and on new loan originations.
- As of March 31, 2024, the interest rate on approximately 55% of the Corporation's commercial and construction ~~loans~~ to variable rates, with 33% based upon SOFR of 3 months or less, 13% based upon the Prime rate ~~and based~~ on other indexes. For the first quarter of 2024, the average one-month SOFR increased 71 bps, ~~the average~~ SOFR increased 57 bps, and the average Prime rate increased 81 bps, compared to the average rates for ~~indexes~~ during the first quarter of 2023.
- An \$11.7 million increase in interest income on consumer loans and finance leases associated with a ~~\$30.5 million~~ average balance of this portfolio, primarily in the auto loan and finance leases portfolios, under a ~~interest~~ rate environment.
- A \$0.7 million increase in interest income on residential mortgage loans, mainly related to the positive effect of new ~~originations~~ at higher current market interest rates.

- A \$2.7 million decrease in interest expense on borrowings, consisting of:
  - A \$1.6 million decrease in interest expense on advances from the FHLB, mainly driven by a \$129.2 million ~~decrease~~ in balance.
  - A \$1.1 million decrease in interest expense on short-term repurchase agreements, as the Corporation ~~repurchases~~ agreements as a funding source in the first quarter of 2024.

Net interest margin for the first quarter of 2024 decreased to 4.16%, compared to 4.34% for the same period in 2023. The ~~decrease~~ interest margin was driven by the higher cost of funds associated with the higher interest rate environment combined ~~with~~ in deposit mix reflecting a continued migration from non-interest-bearing and other low-cost deposits to higher-cost ~~Deposits~~ variances were partially offset by the upward repricing of variable-rate commercial loans as well as the effect of higher ~~average~~ balances funded with cash flows from the lower-yielding investment securities portfolio.

### **Provision for Credit Losses**

The provision for credit losses consists of provisions for credit losses on loans and finance leases, unfunded loan commitments, and securities portfolio. The principal changes in the provision for credit losses by main categories follow:

#### *Provision for credit losses for loans and finance leases*

The provision for credit losses for loans and finance leases was \$12.9 million for the first quarter of 2024, million compared to \$16.8 million for the first quarter of 2023. The variances by major portfolio category were as follows:

- Provision for credit losses for the consumer loans and finance leases portfolio was an expense of \$16.2 million for the first quarter of 2024, compared to an expense of \$15.7 million for the first quarter of 2023. The increase in provision expense mainly due to increases in charge-off levels, mainly in credit cards, and increases in portfolio volume, partially offset by \$0.5 million recovery associated with the aforementioned bulk sale of fully charged-off loans during the first quarter of 2024 and updated macroeconomic variables, mainly in the projection of unemployment rates across all regions.
- Provision for credit losses for the commercial and construction loan portfolio was a net benefit of \$2.8 million for the first quarter of 2024, compared to an expense of \$0.5 million for the first quarter of 2023. The net benefit recorded during the first quarter of 2024 was driven by a \$5.0 million recovery of a C&I loan in the Puerto Rico region, partially offset by an increase of \$1.4 million due to the inflow to nonaccrual status of a C&I participated loan in the Florida region in the power generation industry. Meanwhile, the expense recorded during the first quarter of 2023 was impacted by reserve increases of \$5.0 million related to the inflow to nonaccrual status of a C&I participated loan in the Florida region in the power generation industry, the commercial real estate price index ("CRE price index"), partially offset by reserve releases of \$6.1 million with improvements in the underlying updated financial information of certain borrowers.
- Provision for credit losses for the residential mortgage loan portfolio was a net benefit of \$0.5 million for the first quarter of 2024, compared to an expense of \$0.1 million for the first quarter of 2023. The net benefit recorded during the first quarter of 2024 was mainly due to updated macroeconomic variables, partially offset by newly originated loans that have a longer life.

#### *Provision for credit losses for unfunded loan commitments*

The provision for credit losses for unfunded commercial and construction loan commitments and standby letters of credit expense of \$0.3 million for the first quarter of 2024, compared to a net benefit of \$0.1 million for the first quarter of 2023.

#### *Provision for credit losses for held-to-maturity and available-for-sale debt securities*

The provision for credit losses for held-to-maturity debt securities was a net benefit of \$1.0 million for the first quarter of 2024, compared to a net benefit of \$0.6 million for the first quarter of 2023. The net benefit recorded during both periods was mostly driven by improvements in the underlying updated financial information of certain Puerto Rico municipal bond issuers.

The provision for credit losses for available-for-sale debt securities was a net benefit of \$69 thousand for the first quarter of 2024, compared to a net benefit of \$9 thousand for the first quarter of 2023.

### ***Non-Interest Income***

Non-interest income amounted to \$34.0 million for the first quarter of 2024, compared to \$32.5 million for the same period in 2023. The \$1.5 million increase in non-interest income was primarily due to:

- A \$0.7 million increase in insurance commission income, mainly in seasonal contingent commissions.
- A \$0.4 million increase in card and processing income mainly due to higher transactional volumes, partially offset by \$0.1 million in merchant-related referral fees received during the first quarter of 2023.
- A \$0.2 million increase in other non-interest income, mainly driven by \$0.7 million in insurance proceeds collected in the first quarter of 2024 associated with property damage caused by Hurricane Fiona, partially offset by a \$0.4 million unused loan commitment fees.

### ***Non-Interest Expenses***

Non-interest expenses for the quarter ended March 31, 2024 amounted to \$120.9 million, compared to \$115.3 million for the period in 2023. The efficiency ratio for the first quarter of 2024 was 52.46%, compared to 49.39% for the first quarter of 2023. Non-interest expenses for the first quarter of 2024 include the \$0.9 million additional FDIC special assessment expense. See "Non-GAAP Measures and Reconciliations" above for additional information. On a non-GAAP basis, excluding the effect of this special adjustment non-interest expenses increased by \$4.7 million primarily due to:

- A \$3.1 million increase in employees' compensation and benefits expenses, mainly driven by annual salary merit increases in stock-based compensation expense of retirement-eligible employees and medical insurance premium.
- A \$0.7 million increase in professional service fees, due to increases of \$0.9 million in consulting fees mainly in information technology infrastructure enhancements and \$0.5 million in collections, appraisals, and other credit-related fees, partially offset by a decrease of \$0.7 million in outsourced technology service fees.
- A \$0.5 million decrease in net gains on OREO operations, mainly driven by a decrease in net realized gains on OREO properties, primarily residential properties in the Puerto Rico region.
- A \$0.4 million increase in credit and debit card processing fees, mainly driven by higher transactional volumes.

### ***Income Taxes***

For the first quarter of 2024, the Corporation recorded an income tax expense of \$23.9 million, compared to \$31.9 million for the same period in 2023. The decrease in income tax expense was mainly driven by a lower estimated effective tax rate during the first quarter of 2024 and, to a lesser extent, by lower pre-tax income. During the fourth quarter of 2023, the Corporation engaged in business activities with preferential tax treatment under the PR Tax Code which resulted in a lower effective tax rate for the year 2023.

The Corporation's annual estimated effective tax rate for the quarter ended March 31, 2024, excluding entities from which cannot be recognized and discrete items, was 24.3%, compared to 31.2% for the first quarter of 2023. Based on the Corporation expects that the effective tax rate for 2024 will be around the same levels of 2023. The estimated effective tax rate of the Corporation is impacted by, among other things, the composition and source of its taxable income. See "Net Taxes" to the unaudited consolidated financial statements herein for additional information.

As of March 31, 2024, the Corporation had a deferred tax asset of \$147.7 million, net of a valuation allowance of \$140.1 million against the deferred tax asset, compared to a deferred tax asset of \$150.1 million, net of a valuation allowance of \$139.2 million, December 31, 2023.

## Assets

The Corporation's total assets were \$18.9 billion as of March 31, 2024, a decrease of \$18.6 million from \$19.1 billion as of December 31, 2023. A \$15.1 million decrease in the fair value of available-for-sale debt securities. Total assets were also impacted by investment securities, partially offset by a \$130.7 million increase in the total loan portfolio before the ACL, as discussed below.

### Loans Receivable, including Loans Held for Sale

As of March 31, 2024, the Corporation's total loan portfolio before the ACL amounted to \$12.3 billion, an increase of \$1.1 billion compared to December 31, 2023. In terms of geography, the growth consisted of increases of \$80.9 million in the Puerto Rico region, \$50.1 million in the Puerto Rico region, partially offset by a decrease of \$0.3 million in the Virgin Islands region. Overall, the growth consisted of increases of \$123.9 million in commercial and construction loans and \$22.2 million in loans, primarily auto loans and finance leases, partially offset by a \$15.4 million decrease in residential mortgage loans.

As of March 31, 2024, the Corporation's loans held-for-investment portfolio was comprised of commercial and construction loans (47%), consumer and finance leases (30%), and residential real estate loans (23%). Of the total gross loan portfolio held \$12.3 billion as of March 31, 2024, the Corporation had credit risk concentration of approximately 80% in the Puerto Rico region, 17% in the United States region (mainly in the state of Florida), and 3% in the Virgin Islands region, as follows:

<u>As of March 31, 2024</u>	<u>Puerto Rico</u>	<u>Virgin Islands</u>	<u>United States</u>	<u>Total</u>
Residential mortgage loans	\$ 2,164,347	\$ 162,893	\$ 474,347	\$ 2,801,587
Construction loans	144,094	3,530	89,664	237,288
Commercial mortgage loans	1,705,745	63,502	592,484	2,361,731
C&I loans	2,163,439	126,560	940,996	3,230,995
Total commercial loans	4,013,278	193,592	1,623,144	5,830,014
Consumer loans and finance leases	3,606,274	67,946	5,627	3,679,847
Total loans held for investment, gross	\$ 9,783,899	\$ 424,431	\$ 2,103,118	\$ 12,311,448
Loans held for sale	12,080	-	-	12,080
Total loans, gross	<u>\$ 9,795,979</u>	<u>\$ 424,431</u>	<u>\$ 2,103,118</u>	<u>\$ 12,323,528</u>
<u>As of December 31, 2023</u>	<u>Puerto Rico</u>	<u>Virgin Islands</u>	<u>United States</u>	<u>Total</u>
Residential mortgage loans	\$ 2,187,875	\$ 168,131	\$ 465,720	\$ 2,821,726
Construction loans	111,664	3,737	99,376	214,777
Commercial mortgage loans	1,725,325	65,312	526,446	2,317,083
C&I loans	2,130,368	119,040	924,824	3,174,232
Total commercial loans	3,967,357	188,089	1,550,646	5,706,092
Consumer loans and finance leases	3,583,272	68,498	5,895	3,657,665
Total loans held for investment, gross	\$ 9,738,504	\$ 424,718	\$ 2,022,261	\$ 12,185,483
Loans held for sale	7,368	-	-	7,368
Total loans, gross	<u>\$ 9,745,872</u>	<u>\$ 424,718</u>	<u>\$ 2,022,261</u>	<u>\$ 12,192,851</u>

#### *Residential Real Estate Loans*

As of March 31, 2024, the Corporation's total residential mortgage loan portfolio, including loans held for sale, decreased by ~~\$15.4 million~~, as compared to the balance as of December 31, 2023. The decline in the residential mortgage loan portfolio reflects ~~\$61.8 million~~ in the Puerto Rico region and \$5.2 million in the Virgin Islands region, partially offset by an increase of \$8.6 million in the Florida region. The decline was driven by repayments, which more than offset the volume of new loan originations kept on the balance sheet.

As of March 31, 2024, the majority of the Corporation's outstanding balance of residential mortgage loans in the Puerto Rico and Islands regions consisted of fixed-rate loans that traditionally carry higher yields than residential mortgage loans in the Florida region. In the Florida region, approximately 38% of the residential mortgage loan portfolio consisted of hybrid adjustable-rate mortgages. In accordance with the Corporation's underwriting guidelines, residential mortgage loans are primarily fully documented. The Corporation does not originate negative amortization loans.

#### *Commercial and Construction Loans*

As of March 31, 2024, the Corporation's commercial and construction loan portfolio increased by \$123.9 million, as compared to the ~~balance as of~~ December 31, 2023.

In the Florida region, commercial and construction loans increased by \$72.5 million, as compared to the balance as of December 31, 2023. The increase reflects, among other things, the effect of the origination of three commercial mortgage relationships, ~~excess~~ of \$10 million, with an aggregate balance of \$52.3 million and higher utilization of C&I lines of credit.

In the Puerto Rico region, commercial and construction loans increased by \$45.9 million, as compared to the ~~balance as of~~ December 31, 2023. This increase was driven by the effect of higher utilization of C&I lines of credit, a \$32.4 million construction loans, and the origination of a \$13.6 million C&I loan to a municipality in Puerto Rico that is supported by ~~presented~~ revenues. These variances were partially offset by multiple payoffs and paydowns.

In the Virgin Islands region, commercial and construction loans increased by \$5.5 million, as compared to the ~~balance as of~~ December 31, 2023, mainly associated with loans to government entities.

See "Risk Management – Exposure to Puerto Rico Government" and "Risk Management – Exposure to USVI Government" for information on the Corporation's credit exposure to PR and USVI government entities.

As of March 31, 2024, the Corporation's total commercial mortgage loan exposure amounted to \$2.4 billion, or 19% of ~~loans in portfolio~~. In terms of geography, \$1.7 billion of the exposure was in the Puerto Rico region, \$0.6 billion of the exposure was in the Florida region, and \$0.1 billion of the exposure was in the Virgin Islands region. The \$1.7 billion exposure in the Puerto Rico region comprised mainly of 42% in the retail industry, 25% in office real estate, and 19% in the hotel industry. The \$0.6 billion exposure in the Florida region was comprised mainly of 27% in the hotel industry, 19% in the retail industry, and 11% in office real estate. The Corporation's total commercial mortgage loan exposure of \$2.4 billion, \$533.0 million matures within the next 12 months and has a weighted-average interest rate of approximately 5.62%. Commercial mortgage loan exposure in the office real estate, which matures within the next 12 months, amounted to \$97.1 million and has a weighted-average interest rate of 5.1%.

As of each of March 31, 2024 and December 31, 2023, the Corporation's total exposure to shared national credit (including SNC) amounted to \$1.2 billion. As of March 31, 2024, approximately \$388.4 million of the SNC ~~is expected~~ to the portfolio in the Puerto Rico region and \$841.9 million is related to the portfolio in the Florida region.

#### *Consumer Loans and Finance Leases*

As of March 31, 2024, the Corporation's consumer loan and finance lease portfolio increased by \$22.2 million to ~~\$2.7 billion~~ of \$17.8 million and \$15.1 million in the auto loans and finance leases portfolios, respectively, mainly in the Puerto Rico region.

### Loan Production

First BanCorp. relies primarily on its retail network of branches to originate residential and consumer loans. The Corporation supplement its residential mortgage originations with wholesale servicing released mortgage loan purchases from mortgage ~~Bank~~ Corporation. The Corporation manages its construction and commercial loan originations through centralized units and most of its originations existing customers, as well as through referrals and direct solicitations. Auto loans and finance leases prioritize relationships with auto dealers and dedicated sales professionals who serve selected locations to facilitate originations.

The following table provides a breakdown of First BanCorp.'s loan production, including purchases, refinancings, draws on revolving and non-revolving commitments, for the indicated periods:

	Quarter Ended March 31,	
	2024	2023
(In thousands)		
Residential mortgage	\$ 88,170	\$ 77,302
Construction	43,844	35,499
Commercial mortgage	75,656	88,692
C&I	591,348	555,882
Consumer	402,259	435,318
Total loan production	\$ 1,201,277	\$ 1,192,693

During the quarter ended March 31, 2024, total loan originations, including purchases, refinancings, and draws on revolving and non-revolving commitments, amounted to approximately \$1.2 billion, an increase of \$8.6 million, compared to the quarter of 2023.

Residential mortgage loan originations for the quarter ended March 31, 2024 amounted to \$88.2 million, compared to \$77.3 million in the first quarter of 2023. The increase of \$10.9 million in the first quarter of 2024, as compared to the same period in 2023, consisted of \$6.2 million in the Puerto Rico region, \$4.2 million in the Florida region, and \$0.5 million in the Virgin Islands region. 56% of the \$67.6 million residential mortgage loan originations in the Puerto Rico region during the first quarter consisted of conforming loans, compared to 60% of \$61.5 million for the first quarter of 2023.

Commercial and construction loan originations (excluding government loans) for the quarter ended March 31, 2024 amounted to \$685.1 million compared to \$672.8 million for the first quarter of 2023. The increase of \$12.3 million in the first quarter of 2024, as compared to the same period in 2023, consisted of a \$10.7 million increase in the Florida region, partially offset by decreases of \$95.0 million in the Puerto Rico region and \$8.4 million in the Virgin Islands region. The growth in the Florida region includes the effect of the aforementioned origination of three commercial mortgage relationships, each in excess of \$10 million, with an aggregate balance of \$52.3 million, utilization rates of 61% lines of credit. Meanwhile, the decline in the Puerto Rico region was mainly driven by decreases of \$57.6 million in the C&I loan portfolio, mainly in lines of credit, and \$50.1 million in the commercial mortgage loan portfolio.

Government loan originations for the quarter ended March 31, 2024 amounted to \$25.7 million, an increase of \$7.2 million for the first quarter of 2023. Government loan originations during the first quarter of 2024 were mainly the aforementioned origination of a \$13.6 million loan to a municipality in Puerto Rico that is supported by property tax revenues and the utilization of a line of credit of a government entity in the Virgin Islands region. Originations during the first quarter of 2023 were mainly related to the origination of a loan to an agency of the Puerto Rico for a low-income housing project and the utilization of an arranged overdraft line of credit of a government entity in the Virgin Islands region.

Originations of auto loans (including finance leases) for the quarter ended March 31, 2024 amounted to \$228.0 million, compared to \$245.5 million for the first quarter of 2023. The decline in the first quarter of 2024, as compared to the same period in 2023, consisted of decreases of \$15.7 million in the Puerto Rico region and \$1.4 million in the Virgin Islands region. Other originations other than credit cards, for the quarter ended March 31, 2024 amounted to \$59.9 million, compared to \$71.9 million for the first quarter of 2023. Most of the decrease in other consumer loan originations for the first quarter of 2024, as compared to the same period in 2023, was in the Puerto Rico region. The utilization activity on the outstanding credit card portfolio for the quarter ended March 31, 2024 amounted to \$114.3 million, compared to \$118.4 million for the same period in 2023.

### **Investment Activities**

As part of its liquidity, revenue diversification, and interest rate risk management strategies, First BanCorp. securities portfolio is classified as available for sale or held to maturity.

The Corporation's total available-for-sale debt securities portfolio as of March 31, 2024 amounted to \$5.0 billion, a \$182.8 decrease from December 31, 2023. The decrease was mainly driven by repayments of approximately \$86.3 million of U.S. agency-backed securities ("MBS") and debentures, repayments of \$80.1 million associated to matured securities, million \$15.4 million in fair value attributable to changes in market interest rates. As of March 31, 2024, the Corporation has available-for-sale debt securities of \$647.9 million. This net unrealized loss is attributable to instruments on bonds with a lower interest rate than market rates. The Corporation expects that this unrealized loss will reverse over time and it is likely it will not be required to sell the securities before their anticipated recovery. The Corporation expects the portfolio will continue to decrease and the accumulated other comprehensive loss will decrease accordingly, excluding the impact of market interest rates.

As of March 31, 2024, substantially all of the Corporation's available-for-sale debt securities portfolio was invested in government and agencies debentures and fixed-rate GSEs' MBS. In addition, as of March 31, 2024, the Corporation held by the Puerto Rico Housing Finance Authority ("PRHFA"), classified as available for sale, specifically a residential MBS- the aggregate amount of \$3.1 million (fair value - \$1.6 million). This residential pass-through MBS bonds originated by certain second mortgages originated under a program launched by the Puerto Rico government and 2010 an unrealized loss of \$1.6 million as of March 31, 2024, of which \$0.3 million is due to credit deterioration. During 2021, Corporation placed this instrument in nonaccrual status based on the delinquency status of the underlying second mortgage loans

As of March 31, 2024, the Corporation's held-to-maturity debt securities portfolio, before the ACL, decreased to \$349.3 million to \$354.2 million as of December 31, 2023, mainly driven by repayments of approximately \$5.1 million of U.S. held-to-maturity debt securities include fixed-rate GSEs' MBS with a carrying value of \$242.2 million (fair value of \$226.2 million) as of March 31, 2024, compared to \$247.1 million as of December 31, 2023. Held-to-maturity debt securities then include arrangements with Puerto Rico municipalities issued in bond form, which the Corporation accounts for as securities, but underwritten as loans with features that are typically found in commercial loans. Puerto Rico municipal bonds typically issued in bearer form, are not registered with the SEC, and are not rated by external credit agencies. These bonds are payable of operating costs and expenses of the municipality and, in most cases, are supported by assigned property taxes of March 31, 2024, approximately 54% of the Corporation's municipal bonds consisted of obligations issued by the largest municipalities in Puerto Rico. The municipalities are required by law to levy special property taxes in such amounts required for the payment of all of their respective general obligation bonds and loans. Given the uncertainties as to the effects fiscal position of the Puerto Rico central government, and the measures taken, or to be taken, by other government entities on municipalities, and the higher interest rate environment, the Corporation cannot be certain whether future charges to the ACL of these securities will be required. As of March 31, 2024, the ACL for held-to-maturity debt securities was \$1.2 million, compared to as of December 31, 2023. The decrease in the ACL of held-to-maturity debt securities was mostly independent in the underlying updated financial information of a Puerto Rico municipal bond issuer received during the first quarter 2024.

See "Risk Management – Exposure to Puerto Rico Government" below for information and details about the direct exposures to the Puerto Rico government, including municipalities, and "Risk Management – Credit Risk Management" for the ACL of the exposure to Puerto Rico municipal bonds.

The following table presents the carrying values of investments as of the indicated dates:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
(In thousands)		
<b>Money market investments</b>	<b>\$ 3,785</b>	<b>\$ 1,239</b>
Available-for-sale debt securities, at fair value:		
U.S. government and agencies obligations	2,369,484	2,443,790
Puerto Rico government obligations	1,551	1,415
MBS:		
Residential	2,527,054	2,633,161
Commercial	149,090	151,618
Total available-for-sale debt securities, at fair value	<u>5,047,179</u>	<u>5,229,984</u>
Held-to-maturity debt securities, at amortized cost:		
MBS:		
Residential	142,677	146,468
Commercial	99,525	100,670
Puerto Rico municipal bonds	107,128	107,040
ACL for held-to-maturity Puerto Rico municipal bonds	(1,235)	(2,197)
Total held-to-maturity debt securities	<u>348,095</u>	<u>351,981</u>
Equity securities, including \$34.6 million of FHLB stock as of March 31, 2024 and December 31, 2023	51,390	49,675
<b>Total money market investments and investment securities</b>	<b>\$ 5,450,449</b>	<b>\$ 5,632,879</b>

The carrying values of debt securities as of March 31, 2024 by contractual maturity (excluding MBS), are shown below:

	<u>Carrying Amount</u>	<u>Weighted-Average Yield %</u>
(Dollars in thousands)		
U.S. government and agencies obligations:		
Due within one year	\$ 763,223	0.87
Due after one year through five years	1,589,404	0.82
Due after five years through ten years	8,096	2.64
Due after ten years	<u>8,761</u>	<u>5.51</u>
	<u>2,369,484</u>	<u>0.86</u>
Puerto Rico government and municipalities obligations:		
Due within one year	3,172	9.30
Due after one year through five years	51,327	7.74
Due after five years through ten years	36,034	7.06
Due after ten years	<u>18,146</u>	<u>7.42</u>
	<u>108,679</u>	<u>7.51</u>
MBS	<u>2,918,346</u>	<u>1.70</u>
ACL on held-to-maturity debt securities	<u>(1,235)</u>	<u>-</u>
<b>Total debt securities</b>	<b>\$ 5,395,274</b>	<b>1.45</b>

Net interest income in future periods could be affected by prepayments of MBS. Any acceleration in the prepayment of MBS would lower yields on these securities, since the amortization of premiums paid upon acquisition accelerate. Conversely, acceleration of the prepayments of MBS would increase yields on securities purchased at a discount, since the amortization of the discount would accelerate. These risks are directly linked to future period market interest rate fluctuations. Net interest income in future periods might also be affected by the Corporation's investment in callable securities. As of March 31, 2024, the Corporation had approximately \$1.8 billion in callable debt securities (U.S. agencies debt securities) with an average yield of approximately 64% were purchased at a discount and 2% at a premium. See "Risk Management" below for analysis of the effects of changing interest rates on the Corporation's net interest income and the Corporation's management risk strategies. Also, refer to Note 2 – "Debt Securities" to the unaudited consolidated financial statements for additional information regarding the Corporation's debt securities portfolio.

## RISK MANAGEMENT

### *General*

Risks are inherent in virtually all aspects of the Corporation's business activities and operations. Consequently, management is fundamental to the success of the Corporation. The primary goals of risk management are to ensure that the risk-taking activities are consistent with the Corporation's objectives and risk tolerance, and that there is an appropriate balance between risks and rewards to maximize stockholder value.

The Corporation has in place a risk management framework to monitor, evaluate and manage the principal risks of its activities. First BanCorp.'s business is subject to eleven broad categories of risks: (i) liquidity risk; (ii) interest rate risk; (iii) market risk; (iv) credit risk; (v) operational risk; (vi) legal and regulatory risk; (vii) reputational risk; (viii) model risk; (ix) capital risk; (x) strategic risk; and (xi) information technology risk. First BanCorp. has adopted policies and procedures designed to identify and manage the risks to which the Corporation is exposed.

The Corporation's risk management policies are described below, as well as in Part II, Item 7, "Management's Analysis of Financial Condition and Results of Operations," in the 2023 Annual Report on Form 10-K.

### *Liquidity Risk*

Liquidity risk involves the ongoing ability to accommodate liability maturities and deposit withdrawals, fund asset growth operations, and meet contractual obligations through unconstrained access to funding at reasonable market rates. Liquidity management involves forecasting funding requirements and maintaining sufficient capacity to meet liquidity needs to accommodate fluctuations in asset and liability levels due to changes in the Corporation's business operations or events anticipated.

The Corporation manages liquidity at two levels. The first is the liquidity of the parent company, or First Bancorp., which is the holding company that owns the banking and non-banking subsidiaries. The second is the liquidity of the banking subsidiary.

The Asset and Liability Committee of the Corporation's Board of Directors is responsible for overseeing the establishment of the Corporation's liquidity policy, as well as approving operating and contingency procedures and monitoring an ongoing basis. The Management's Investment and Asset Liability Committee ("MIALCO"), which reports to the Asset and Liability Committee, uses measures of liquidity developed by management that involve the use of assumptions to review the Corporation's liquidity position on a monthly basis. The MIALCO oversees liquidity management, market risk, and other related matters.

The MIALCO is composed of senior management officers, including the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Corporate Strategic and Business Development Director, the Business Group Director, the Treasurer, and the Risk Manager, the Financial Planning and Asset and Liability Management ("ALM") Director, and the Treasurer. The Treasury and Investments Division is responsible for planning and executing the Corporation's funding activities and managing liquidity availability on a daily basis, and reviewing liquidity measures on a weekly basis. The Financial Planning and ALM Division is responsible for estimating the liquidity gap.

To ensure adequate liquidity through the full range of potential operating environments and market conditions, the Corporation liquidity management and business activities in a manner that is intended to preserve and enhance liquidity, stability, and diversity. Key components of this operating strategy include a strong focus on the continued development of funding, the maintenance of direct relationships with wholesale market funding providers, and the ability to liquidate certain assets when, and if, requirements warrant.

The Corporation develops and maintains contingency funding plans. These plans evaluate the Corporation's liquidity under various operating circumstances and are designed to help ensure that the Corporation will be able to operate through periods of stress when access to normal sources of funds is constrained. The plans project funding requirements during a potential period, specify and quantify sources of liquidity, outline actions and procedures for effectively managing liquidity through a period of stress, and define roles and responsibilities for the Corporation's employees. Under the contingency funding plans, the Corporation's balance sheet and the liquidity position to critical levels that mimic difficulties in generating funds or even the financing position of the Corporation and the Bank and are designed to help ensure the ability of the Corporation and the Bank to honor their respective commitments. The Corporation has established liquidity triggers that the MIALCO monitors in order to maintain the ordinary funding of the banking business. The MIALCO has developed contingency funding plans for the following scenarios: a credit rating downgrade, an economic cycle downturn event, and a concentration event. The Board's Liquidity Committee reviews and approves these plans on an annual basis.

#### *Liquidity Risk Management*

The Corporation manages its liquidity in a proactive manner and in an effort to maintain a sound liquidity position. It uses multiple measures to monitor its liquidity position, including core liquidity, basic liquidity, and time-based reserve measures. Cash equivalents amounted to \$684.5 million as of March 31, 2024, compared to \$663.2 million as of December 31, 2023. When \$2.0 billion of free high-quality liquid securities that could be liquidated or pledged within one day (which includes assets such as government and GSEs obligations), the total core liquidity amounted to \$2.7 billion as of March 31, 2024, or 14.45% of total assets compared to \$2.8 billion or 14.93% of total assets as of December 31, 2023.

In addition to the aforementioned \$2.0 billion in cash and free high quality liquid assets, the Corporation had available credit with the FHLB based on the value of loan collateral pledged with the FHLB. As such, the basic liquidity addition available secured lines of credit to the core liquidity was approximately 19.60% of total assets as of March 31, 2024, compared to 19.82% of total assets as of December 31, 2023.

Further, the Corporation also maintains borrowing capacity at the FED Discount Window and had approximately \$1.6 billion funding under the FED's Borrower-in-Custody ("BIC") Program as of March 31, 2024 as an additional liquidity source. Total loans pledged to the FED BIC Program amounted to \$2.7 billion as of March 31, 2024. The Corporation also does not have uncommitted inter-bank lines of credit (federal funds lines) to fund its operations and does not include them in liquidity measures. On a combined basis, as of March 31, 2024, the Corporation had \$5.4 billion, or 121% of deposits, excluding fully collateralized government deposits, available to meet liquidity needs.

Liquidity at the Bank level is highly dependent on bank deposits, which fund 87.8% of the Bank's assets (or 84.0% excluding CDs). In addition, as further discussed below, the Corporation maintains a diversified base of readily available funding sources, including advances from the FHLB through pledged borrowing capacity, securities sold under repurchase agreements, and access to brokered CDs. Funding through wholesale funding may continue to increase the overall cost of funding the Corporation and adversely affect the net interest margin.

*Commitments to extend credit and standby letters of credit*

As a provider of financial services, the Corporation routinely enters into commitments with off-balance sheet risk to ~~financial needs~~ of its customers. These financial instruments may include loan commitments and standby letters of ~~commitments~~ are subject to the same credit policies and approval processes used for on-balance sheet instruments. ~~In~~ ~~to~~ varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the ~~statement~~ condition. As of March 31, 2024, the Corporation's commitments to extend credit amounted to ~~approximately \$20~~ ~~to~~ ~~established~~ ~~in~~ ~~the~~ ~~contract~~. Since certain commitments are expected to expire without being drawn upon, the total ~~amounts~~ not necessarily represent future cash requirements. For most of the commercial lines of credit, the Corporation ~~option~~ ~~to~~ reevaluate the agreement prior to additional disbursements. There have been no significant or unexpected ~~existing~~ ~~commitments~~. In the case of credit cards and personal lines of credit, the Corporation can cancel the unused credit facility ~~any~~ time and without cause.

The following table summarizes commitments to extend credit and standby letters of credit as of the indicated dates:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
<b>(In thousands)</b>		
<b>Financial instruments whose contract amounts represent credit risk:</b>		
Commitments to extend credit:		
Construction undisbursed funds	\$ 228,748	\$ 234,974
Unused credit card lines	887,725	882,486
Unused personal lines of credit	38,736	38,956
Commercial lines of credit	844,210	862,963
Letters of credit:		
Commercial letters of credit	60,636	69,543
Standby letters of credit	13,321	8,313

The Corporation engages in the ordinary course of business in other financial transactions that are not recorded on ~~sheet balance~~ be recorded on the balance sheet in amounts that are different from the full contract or notional ~~transaction and~~ thus, affect the Corporation's liquidity position. These transactions are designed to (i) meet the financial ~~needs~~, (ii) manage the Corporation's credit, market and liquidity risks, (iii) diversify the Corporation's funding sources, and (iv) optimize capital.

In addition to the aforementioned off-balance sheet debt obligations and unfunded commitments to extend credit, the ~~has~~ ~~obligations~~ and commitments to make future payments under contracts, amounting to approximately \$4.4 billion as of March 31, 2024. Our material cash requirements comprise primarily of contractual obligations to make future payments related ~~deposits~~, long-term borrowings, and operating lease obligations. We also have other contractual cash obligations related to ~~borrowing~~ agreements we have entered into for services including outsourcing of technology services, security, advertising and ~~services~~ which are not material to our liquidity needs. We currently anticipate that our available funds, credit facilities, ~~and cash~~ operations will be sufficient to meet our operational cash needs and support loan growth and capital plan ~~the foreseeable~~ future.

Off-balance sheet transactions are continuously monitored to consider their potential impact to our liquidity position and ~~are adjusted~~ to the balance between sources and uses of funds, as deemed appropriate, to maintain a sound liquidity position.

### *Sources of Funding*

The Corporation utilizes different sources of funding to help ensure that adequate levels of liquidity are available when ~~Diversified~~  
~~disruption~~  
~~seeding~~  
~~borrowing~~ of funding sources is of great importance to protect the Corporation's liquidity from market ~~disruption~~  
~~seeding~~  
~~borrowing~~ of short-term funding are deposits, including brokered CDs. Additional funding is provided by ~~seeding~~  
~~borrowing~~ agreements to repurchase and lines of credit with the FHLB. In addition, the Corporation also maintains as additional ~~borrowing~~ capacity at the FED's BIC Program, as discussed above.

The Asset and Liability Committee reviews credit availability on a regular basis. The Corporation may also sell mortgage loans as a supplementary source of funding and obtain long-term funding through the issuance of notes and long-term brokered CDs.

While liquidity is an ongoing challenge for all financial institutions, management believes that the Corporation's ~~available~~  
~~capacity~~  
~~plans~~ efforts to grow core deposits will be adequate to provide the necessary funding for the Corporation's ~~plans~~  
~~the next 12 months and beyond.~~

*Retail and commercial core deposits* The Corporation's deposit products include regular saving accounts, demand accounts, money market accounts, and ~~deposit~~ CDs. As of each of March 31, 2024 and December 31, 2023, the ~~Corporation which~~  
~~excludes~~ government deposits and brokered CDs, totaled \$12.6 billion. The \$25.8 million decrease in ~~such deposits~~  
~~island region~~ related to a decline of \$28.3 million in the Florida region, partially offset by increases of \$1.3 million in ~~island region~~ and \$1.2 million in the Puerto Rico region. This decrease is net of a \$93.9 million increase in time deposits.

*Government deposits (fully collateralized)* As of March 31, 2024, the Corporation had \$2.8 billion of Puerto Rico public deposits (\$2.6 billion in transactional ~~accounts~~ and \$150.9 million in time deposits), compared to \$2.7 billion as of ~~December 31, 2023~~. ~~Government~~ deposits are insured by the FDIC up to the applicable limits and the uninsured portions are fully ~~collateralized~~ 20% of the public sector deposits as of March 31, 2024 were from municipalities and municipal agencies ~~Rico and~~ 80% were from public corporations, the central government and its agencies, and U.S. federal government agencies in ~~Rico~~.

In addition, as of March 31, 2024, the Corporation had \$463.6 million of government deposits in the Virgin Islands ~~compared to~~ \$449.4 million as of December 31, 2023, and \$12.2 million in the Florida region as compared to \$10.2 ~~December 31,~~ 2023.

The uninsured portions of government deposits were collateralized by securities and loans with an amortized cost of ~~\$3.5 billion~~ as of March 31, 2024 and December 31, 2023, respectively, and an estimated market value of \$3.1 billion as of ~~each~~ periods. In addition to securities and loans, as of each of March 31, 2024 and December 31, 2023, the Corporation used ~~\$1.75 billion~~ in letters of credit issued by the FHLB as pledges for a portion of public deposits in the Virgin Islands.

*Estimate of Uninsured Deposits* As of March 31, 2024 and December 31, 2023, the estimated amounts of uninsured totaled \$7.5 billion and \$7.4 billion, respectively, generally representing the portion of deposits that exceed the FDIC ~~of its \$250,000 limit~~ and amounts in any other uninsured deposit account. As of each of March 31, 2024 and December 31, 2023, ~~of~~ the amount of fully collateralized government deposits amounted to \$3.0 billion. Excluding fully collateralized ~~deposits~~ the estimated amounts of uninsured deposits amounted to \$4.4 billion, which represent 27.93% of total deposits ~~brokered CDs~~, as of March 31, 2024, compared to \$4.4 billion, or 28.13%, as of December 31, 2023.

The amount of uninsured deposits is calculated based on the same methodologies and assumptions used for our bank ~~regulatory~~ requirements adjusted for cash held by wholly-owned subsidiaries at the Bank.

The following table presents by contractual maturities the amount of U.S. time deposits in excess of FDIC insurance limits (over \$250,000) and other time deposits that are otherwise uninsured as of March 31, 2024:

(In thousands)	3 months or less		3 months to 6 months		6 months to 1 year		Over 1 year		Total
	\$	\$	\$	\$	\$	\$	\$	\$	
U.S. time deposits in excess of FDIC insurance limits	\$ 321,274	\$ 163,085	\$ 461,011	\$ 131,218	\$ 1,076,588				
Other uninsured time deposits	\$ 14,390	\$ 9,486	\$ 20,745	\$ 2,741	\$ 47,362				

**Brokered CDs**- Total brokered CDs decreased by \$57.6 million to \$725.7 million as of March 31, 2024, compared million as of December 31, 2023. The decline reflects maturing short-term brokered CDs amounting to \$195.4 million with an ~~yield~~ of 5.42% that were paid off during the first quarter of 2024, partially offset by \$138.0 million of new issuances ~~with maturities~~ of approximately 2 years and an all-in cost of 4.79 %.

The average remaining term to maturity of the brokered CDs outstanding as of March 31, 2024 was approximately 1.1 years.

The future use of brokered CDs will depend on multiple factors including excess liquidity at each of the regions, future cash needs and tax implications. Brokered CDs are insured by the FDIC up to regulatory limits and can be obtained faster than regular certificates.

The following table presents the contractual maturities of brokered CDs as of March 31, 2024:

	<b>Total</b>
(In thousands)	
Three months or less	\$ 174,639
Over three months to six months	170,215
Over six months to one year	209,581
Over one year to three years	98,233
Over three years to five years	57,582
Over five years	15,436
<b>Total</b>	<b>\$ 725,686</b>

Refer to "Net Interest Income" above for information about average balances of interest-bearing deposits and the average rates earned on such deposits for the quarters ended March 31, 2024 and 2023.

From time to time, the Corporation enters into repurchase agreements as an additional source of funding.

*Securities sold under agreements to repurchase* of March 31, 2024 and December 31, 2023, there were no repurchase agreements.

Under the Corporation's repurchase agreements, as is the case with derivative contracts, the Corporation is required to or ~~pledge~~ use securities to meet margin requirements. To the extent that the value of securities previously pledged as collateral ~~decreases~~ changes in interest rates, a liquidity crisis or any other factor, the Corporation is required to deposit additional cash or ~~securities~~ to meet its margin requirements, thereby adversely affecting its liquidity. Given the quality of the collateral pledged, the Corporation experienced margin calls from counterparties arising from credit-quality-related write-downs in valuations.

**Advances from the FHLB** The Bank is a member of the FHLB system and obtains advances to fund its collateral agreement with the FHLB. The Bank requires the Bank to maintain qualifying mortgages and/or investments as collateral for advances taken. As of each of March 31, 2024 and December 31, 2023, the outstanding balance of long-term advances was \$500.0 million. Of the \$500.0 million in FHLB advances as of March 31, 2024, \$400.0 million were pledged with securities and \$100.0 million were pledged with mortgage loans. As of March 31, 2024, the Corporation had \$9.2 million available for additional credit on FHLB lines of credit based on collateral pledged at the FHLB of New York.

Trust Preferred Securities) for 2004, FBP Statutory Trusts I and II, statutory trusts that are wholly-owned by the Corporation not consolidated in the Corporation's financial statements, sold to institutional investors variable-rate TRUPs and used the proceeds of such sales, together with the proceeds of the purchases by the Corporation of variable rate common securities, to purchase subordinated deferrable debentures. The subordinated debentures are presented in the Corporation's consolidated statement of financial position as other long-term borrowings. Under the indentures, the Corporation has the right, from time to time, and without an event of default, to defer payments of interest on the Junior Subordinated Deferrable Debentures by extending the payment period at any time and from time to time during the term of the subordinated debentures for up to twenty years.

As of each of March 31, 2024 and December 31, 2023, the Corporation had junior subordinated debentures aggregated ~~including~~ in the \$161.7 million, with maturity dates ranging from June 17, 2034 through September 20, 2034. As of ~~March 31, 2024~~ the Corporation was current on all interest payments due on its subordinated debt. See Note 10 – “Other ~~Borrowings~~ and Note 7 – “Non-Consolidated Variable Interest Entities (“VIEs”) and Servicing Assets” to the unaudited ~~consolidated~~ financial statements herein for additional information.

*Other Sources of Funds and Liquidity* The Corporation's principal uses of funds are for the origination of loans, the repayment of maturing deposits and borrowings, and deposits withdrawals. Over the years, in connection with its mortgage banking activities, the Corporation has invested in technology and personnel to enhance the Corporation's secondary mortgage market capabilities.

These enhanced capabilities improve the Corporation's liquidity profile as they allow the Corporation to derive liquidity, if needed, from the sale of mortgage loans in the secondary market. The U.S. (including Puerto Rico) secondary mortgage market is still highly in large part because of the sale of mortgages through guarantee programs of the Federal Housing Authority (FHA), U.S. Department of Veterans Affairs (“VA”), U.S. Department of Housing and Urban Development (“HUD”), Federal National Mortgage Association (“FNMA”) and Federal Home Loan Mortgage Corp. (“FHLBC”). During the first quarter of 2024, loans ~~underwritten~~ National Mortgage Association (“GNMA”) MBS amounted to approximately \$24.7 million. Also, during the first quarter of 2024, the Corporation sold approximately \$6.8 million of performing residential mortgage loans to FNMA.

The FED Discount Window is a cost-efficient source of short-term funding for the Corporation in highly-volatile ~~conditions~~. As previously mentioned, as of March 31, 2024, the Corporation had approximately \$1.6 billion fully available for funding under the FED's Discount Window.

#### *Effect of Credit Ratings on Access to Liquidity*

The Corporation's liquidity is contingent upon its ability to obtain deposits and other external sources of funding to ~~operations~~. The Corporation's current credit ratings and any downgrade in credit ratings can hinder the Corporation's access to new external funding and/or cause external funding to be more expensive, which could, in turn, adversely affect ~~operations~~. Also, changes in credit ratings may further affect the fair value of unsecured derivatives whose value takes into account ~~the~~ Corporation's own credit risk.

The Corporation does not have any outstanding debt or derivative agreements that would be affected by credit rating ~~downgrades~~. Given the Corporation's non-reliance on corporate debt or other instruments directly linked in terms of pricing or ~~credit~~ ratings, the liquidity of the Corporation has not been affected in any material way by downgrades. The Corporation's ~~ability~~ to access new non-deposit sources of funding, however, could be adversely affected by credit downgrades.

As of the date hereof, the Corporation's credit as a long-term issuer is rated BB+ by S&P and BB by Fitch. As of the ~~First~~ ~~Banker~~ credit ratings as a long-term issuer are BB+ by S&P, one notch below S&P's minimum BBB- level ~~considered~~ investment grade; and BB by Fitch, two notches below Fitch's minimum BBB- level required to be considered ~~investment~~. The Corporation's credit ratings are dependent on a number of factors, both quantitative and qualitative, and ~~change~~ subject to time. The disclosure of credit ratings is not a recommendation to buy, sell or hold the Corporation's ~~securities~~. The ~~securities~~ should be evaluated independently of any other rating.

## *Cash Flows*

Cash and cash equivalents were \$684.5 million as of March 31, 2024, an increase of \$21.4 million when compared to December 2023. The following discussion highlights the major activities and transactions that affected the Corporation's cash flows during the quarters of 2024 and 2023:

### *Cash Flows from Operating Activities*

First BanCorp.'s operating assets and liabilities vary significantly in the normal course of business due to the amount and cash inflows of Management believes that cash flows from operations, available cash balances, and the Corporation's ability to generate through short and long-term borrowings will be sufficient to fund the Corporation's operating liquidity needs for the foreseeable

For the quarters ended March 31, 2024 and 2023, net cash provided by operating activities was \$118.2 million and \$115.4 respectively. Net cash generated from operating activities was higher than reported net income largely as a result of adjustments such as depreciation and amortization, deferred income tax expense and the provision for credit losses, as well generated from sales and repayments of loans held for sale.

### *Cash Flows from Investing Activities*

The Corporation's investing activities primarily relate to originating loans to be held for investment, as well as purchasing, and repaying available-for-sale and held-to-maturity debt securities. For the quarter ended March 31, 2024, net cash provided by investing activities was \$39.7 million, primarily due to repayments of U.S. agencies MBS and debentures; proceeds from sales, partially driven by the bulk sale of fully charged-off consumer loans during the first quarter of 2024; and proceeds from repurchased assets; partially offset by net disbursements on loans held for investment.

For the quarter ended March 31, 2023, net cash provided by investing activities was \$50.5 million, primarily due to U.S. repayments MBS, partially offset by net disbursements on loans held for investment.

### *Cash Flows from Financing Activities*

The Corporation's financing activities primarily include the receipt of deposits and the issuance of brokered CDs, the and payments on long-term debt, the issuance of equity instruments, return of capital, and activities related to its short-term funding. quarter ended March 31, 2024, net cash used in financing activities was \$136.6 million, mainly reflecting capital stockholders and a decrease in total deposits.

For the quarter ended March 31, 2023, net cash provided by financing activities was \$177.1 million, mainly reflecting net of \$207.8 million from borrowings reflecting precautionary measures taken by management in light of instability in the banking sector such period, partially offset by a decrease in total deposits and capital returned to stockholders.

## **Capital**

As of March 31, 2024, the Corporation's stockholders' equity was \$1.5 billion, a decrease of \$17.9 million from December 31, 2023. The decrease was driven by the repurchase of approximately 3.0 million shares of common stock for a total cost of \$500 million, stock dividends declared in the first quarter of 2024 totaling \$26.9 million or \$0.16 per common share, and a \$15 million decrease in the fair value of available-for-sale debt securities recorded as part of accumulated other comprehensive loss in the consolidated statements of financial condition. These variances were partially offset by the net income generated in the first quarter of 2024.

On April 25, 2024, the Corporation's Board declared a quarterly cash dividend of \$0.16 per common share. The dividend is payable on May 14, 2024 to shareholders of record at the close of business on May 30, 2024. The Corporation intends to quarterly dividends on common stock. The Corporation's common stock dividends, including the declaration, timing and amount, are subject to the consideration and approval by the Corporation's Board at the relevant times.

On July 24, 2023, the Corporation announced that its Board of Directors approved a stock repurchase program, under which the Corporation may repurchase up to \$225 million of its outstanding common stock, which it expects to execute through the end of the quarter of 2024. Repurchases under the program may be executed through open market purchases, accelerated share repurchases, negotiated transactions or plans, including under plans complying with Rule 10b5-1 under the Exchange Act. The repurchase program is subject to various factors, including the Corporation's capital position, liquidity, performance and alternative uses of capital, stock trading price, and general market conditions. The Corporation's stock repurchase does not obligate it to acquire any specific number of shares and does not have an expiration date. The stock repurchase may be modified, suspended, or terminated at any time at the Corporation's discretion. As of May 2, 2024, the Corporation has repurchased approximately 8.4 million shares of common stock for a total cost of \$129.9 million under such stock repurchase. The Corporation's holding company has no operations and depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments, stock repurchases, and to fund all payments on its obligations, including debt obligations. For more information, see Part II, Item 2, "Unregistered Sales of Equity Securities and Use of Proceeds" in the Quarterly Report on Form 10-Q.

The tangible common equity ratio and tangible book value per common share are non-GAAP financial measures generally used by the investment community to evaluate capital adequacy. Tangible common equity is total common equity less goodwill and intangible assets. Tangible assets are total assets less the previously mentioned intangible assets. See "Non-GAAP Financial Measures" and "Reconciliations" above for additional information.

The following table is a reconciliation of the Corporation's tangible common equity and tangible assets, non-GAAP measures, to total equity and total assets, respectively, as of March 31, 2024 and December 31, 2023, respectively:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
(In thousands, except ratios and per share		
<b>Common equity - GAAP</b>	<b>\$ 1,479,717</b>	<b>\$ 1,497,609</b>
Goodwill	(38,611)	(38,611)
Other intangible assets	(11,542)	(13,383)
<b>Tangible common equity - non-GAAP</b>	<b>\$ 1,429,564</b>	<b>\$ 1,445,615</b>
Total assets - GAAP	\$ 18,890,961	\$ 18,909,549
Goodwill	(38,611)	(38,611)
Other intangible assets	(11,542)	(13,383)
<b>Tangible assets - non-GAAP</b>	<b>\$ 18,840,808</b>	<b>\$ 18,857,555</b>
<b>Common shares outstanding</b>	<b>166,707</b>	<b>169,303</b>
<b>Tangible common equity ratio - non-GAAP</b>	<b>7.59%</b>	<b>7.67%</b>
<b>Tangible book value per common share - non-GAAP</b>	<b>\$ 8.58</b>	<b>\$ 8.54</b>

See Note 21 – “Regulatory Matters, Commitments and Contingencies” to the unaudited consolidated financial statements herein for the regulatory capital positions of the Corporation and FirstBank as of March 31, 2024 and December 31, 2023, respectively.

The Puerto Rico Banking Law of 1933, as amended (the “Puerto Rico Banking Law”) requires that a minimum percentage of net income for the year be transferred to a legal surplus reserve until such surplus equals the total of paid-in capital and preferred stock. Amounts transferred to the legal surplus reserve from retained earnings are not available for distribution to the Corporation without the prior consent of the Puerto Rico Commissioner of Financial Institutions. The Puerto Rico Banking Law provides that, when the expenditures of a Puerto Rico commercial bank are greater than receipts, the excess of the expenditures over charged against the undistributed profits of the bank, and the balance, if any, must be charged against the legal surplus reserve. If the legal surplus reserve is not sufficient to cover such balance in whole or in part, the amount must be charged against the capital account and the Bank cannot pay dividends until it can restore the legal surplus reserve to at least 20% of the original capital contributed. FirstBank’s legal surplus reserve, included as retained earnings in the Corporation’s consolidated statements of financial condition, amounted to \$199.6 million as of each of March 31, 2024 and December 31, 2023, respectively. There were no transfers to the legal surplus reserve during the quarter ended March 31, 2024.

### **Interest Rate Risk Management**

First BanCorp manages its asset/liability position to limit the effects of changes in interest rates on net interest margin and profitability under varying interest rate scenarios. The MIALCO oversees interest rate risk and monitors, ~~things~~, current and expected conditions in global financial markets, competition and prevailing rates in the local deposit market, loan originations pipeline, securities market values, recent or proposed changes to the investment portfolio, funding resources and related costs, hedging and the possible purchase of derivatives such as swaps and caps, and any tax or regulatory which may be pertinent to these areas. The MIALCO approves funding decisions in light of the Corporation's overall strategic objectives.

On at least a quarterly basis, the Corporation performs a consolidated net interest income simulation analysis to estimate the potential future earnings from projected changes in interest rates. These simulations are carried out over a one-to-five-year period. The scenarios considered in these simulations reflect gradual upward or downward interest rate movements in the yield curve, gradual (ramp) parallel shifts in the yield curve of 200 and 300 bps during a twelve-month period, or immediate downward changes in interest rate movements of 200 bps, for interest rate shock scenarios. The Corporation ~~simulates~~ in two ways:

- (1) Using a static balance sheet, as the Corporation had on the simulation date, and
- (2) Using a dynamic balance sheet based on recent patterns and current strategies.

The balance sheet is divided into groups of assets and liabilities by maturity or repricing structure and their corresponding yields and costs. As interest rates rise or fall, these simulations incorporate expected future lending rates, current and expected futures and costs, the possible exercise of options, changes in prepayment rates, deposit decay and other factors, ~~which~~ in projecting net interest income.

The Corporation uses a simulation model to project future movements in the Corporation's balance sheet and income statement. ~~At the~~ the projections corresponds to the actual values on the balance sheet on the simulation date. These ~~computations~~ are based on many assumptions that are intended to reflect the general behavior of the balance sheet over the modeled periods. It is unlikely that actual events will match these assumptions in all cases. For this reason, the results of these-looking computations are only approximations of the sensitivity of net interest income to changes in market ~~interest~~ benchmark and market rate curves were used in the modeling process, primarily, SOFR curve, Prime Rate, yield curves, FHLB rates, brokered CDs rates, repurchase agreements rates, and the mortgage commitment rate of 30 years.

As of March 31, 2024, the Corporation forecasted the 12-month net interest income assuming March 31, 2024 interest rate ~~remains~~ constant. Then, net interest income was estimated under rising and falling rates scenarios. For the rising ~~rate~~ (ramp) and immediate (shock) parallel upward shift of the yield curve is assumed during the first twelve months (the "+300 "+200 ramp" and "+200 shock" scenarios). Conversely, for the falling rate scenario, a gradual (ramp) and immediate ~~rate~~ downward shift of the yield curve is assumed during the first twelve months (the "-300 ramp", "-200 ramp" and "-200 shock" scenarios).

The SOFR curve for March 31, 2024, as compared with December 31, 2023, reflects an increase of 12 bps on average in ~~the short~~ of the curve, or between one to twelve months; an increase of 57 bps in the medium-term sector of the curve, or ~~to 5 years~~, and an increase of 47 bps in the long-term sector of the curve, or over 5-year maturities. A similar behavior in market ~~changes~~ was observed in the Constant Maturity Treasury yield curve with an increase of 8 bps in the short-term sector, an ~~50 bps~~ in the medium-term sector, and an increase of 42 bps in the long-term sector.

The following table presents the results of the static simulations as of March 31, 2024 and December 31, 2023. Consistent with ~~years~~, these exclude non-cash changes in the fair value of derivatives:

	Net Interest Income Risk (% Change Projected for the next 12 months)		
	March 31, 2024	December 31, 2023	
<u>Gradual Change in Interest</u>			
Rate +800 bps	1.56%	1.08%	
rate +200 bps	1.05%	0.73%	
rate -300 bps	-3.39%	-3.09%	
rate -200 bps	-2.19%	-2.02%	
<u>Immediate Change in Interest</u>			
Rates +200 bps	2.37%	2.45%	
short +200 bps	-5.62%	-5.67%	
shock			

The Corporation continues to manage its balance sheet structure to control and limit the overall interest rate risk by ~~as managing position~~ while maintaining a sound liquidity position. See "Risk Management – Liquidity Risk Management" ~~liquidity ratios~~.

As of March 31, 2024, and December 31, 2023, the net interest income simulations show that the Corporation continues to ~~as have~~ a sensitive position for the next twelve months under a static balance sheet simulation.

Under gradual rising scenarios, the net interest income simulation shows a slight increase in interest rate ~~comparability with December 31, 2023, due to lower sensitivity in the liabilities side. The decrease in sensitivity in the liabilities side~~ ~~mainly driven by an increase in repricing lag, mainly in public sector non-maturity deposits, partially offset by higher~~ ~~sensitivity~~ ~~as a result of higher balances. On the assets side, the sensitivity increased slightly in the investment securities~~ ~~portfolio~~ ~~increase in the prepayment rate assumptions of MBS and the level of scheduled maturities of U.S. agencies~~ ~~the break~~ ~~over~~ ~~months.~~

Gradual falling rates scenarios also show an increase in interest rate sensitivity, when compared with December ~~31, 2023~~ ~~interest rates are estimated to occur at a slower pace on the liabilities side as pricing pressures, deposits~~ ~~debt~~ ~~strategies will impact the pace of repricing, mainly in the public sector non-maturity deposits, partially offset~~ ~~by slightly~~ ~~on the assets side, as explained above.~~

Under the static simulation, the Corporation assumes that maturing instruments are replaced with similar ~~repricing rates upon maturity. The Corporation's results may vary significantly from the ones presented above under alternative~~ ~~balance~~ ~~compositions, such as a dynamic balance sheet scenario which, for example, would assume that cash flows from the~~ ~~reinvest~~ ~~portfolio and loan repayments will be redeployed into higher yielding alternatives.~~

## **Credit Risk Management**

First BanCorp. is subject to credit risk mainly with respect to its portfolio of loans receivable and off-balance-sheet ~~primarily~~ ~~other~~ commitments. Loans receivable represents loans that First BanCorp. holds for investment and, ~~BankCorp.~~ is ~~not~~ ~~subject~~ for the term of the loan. Loan commitments represent commitments to extend credit, subject to specific ~~terms~~ ~~amounts~~ and maturities. These commitments may expose the Corporation to credit risk and are subject to the same ~~and~~ ~~an~~ approval process as for loans made by the Bank. See "Risk Management – Liquidity Risk" and "Risk Management ~~and~~ ~~about~~ Capital" further details. The Corporation manages its credit risk through its credit policy, underwriting, monitoring ~~and~~ ~~concerns~~ ~~and~~ ~~related~~ credit quality, counterparty credit risk, economic and market conditions, and legislative or ~~and~~ ~~regulatory~~ ~~and~~ ~~magistrate~~ ~~and~~ ~~financial~~ ~~and~~ ~~analysis~~ ~~and~~ ~~established~~ ~~management~~ ~~committees~~, and employs proactive collection and loss mitigation efforts. ~~Performing~~ ~~and~~ ~~non~~ ~~performing~~ ~~structured~~ ~~loan~~ ~~workout~~ ~~functions~~ ~~are~~ ~~responsible~~ ~~for~~ ~~mitigating~~ ~~defaults~~ ~~and~~ ~~minimizing~~ ~~losses~~ ~~within~~ ~~default~~ ~~region~~ ~~and~~ ~~for~~ ~~each~~ ~~business~~ ~~segment~~. In the case of the C&I, commercial mortgage and construction loan ~~Special~~ ~~Asset~~ Group ("SAG") focuses on strategies for the accelerated reduction of non-performing assets through ~~note~~ ~~sales~~, ~~loss~~ mitigation programs, and sales of OREO. In addition to the management of the resolution process for problem ~~SAG~~, oversees collection efforts for all loans to prevent migration to the nonaccrual and/or adversely classified ~~status~~ ~~relating~~ ~~to~~ ~~SAG~~ officers, collection specialists and attorneys.

The Corporation may also have risk of default in the securities portfolio. The securities held by the Corporation are principally U.S. agencies MBS and U.S. Treasury and agencies securities. Thus, a substantial portion of these instruments is backed by a guarantee of a U.S. GSE or the full faith and credit of the U.S. government.

Management, consisting of the Corporation's Chief Risk Officer, Commercial Credit Risk Officer, Retail Credit Risk Officer, Chief Credit Officer, and other senior executives, has the primary responsibility for setting strategies to achieve the Corporation's credit goals and objectives. Management has documented these goals and objectives in the Corporation's Credit Policy.

### **Allowance for Credit Losses and Non-Performing Assets**

#### **Allowance for Credit Losses for Loans and Finance Leases**

The ACL for loans and finance leases represents the estimate of the level of reserves appropriate to absorb expected over the ~~estimated~~ life of the loans. The amount of the allowance is determined using relevant available information, from internal ~~external~~ sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss ~~experience~~ significant input for the estimation of expected credit losses, as well as adjustments to historical loss ~~differences~~ in ~~and~~ loan-specific risk characteristics, such as differences in underwriting standards, portfolio mix, delinquency level. Additionally, the Corporation's assessment involves evaluating key factors, which include credit and ~~indicators~~ such as changes in unemployment rates, property values, and other relevant factors to account for current and ~~forecast~~ conditions that are likely to cause estimated credit losses over the life of the loans to differ from historical credit ~~factors~~ and ~~are~~ subject to regular review and may change to reflect updated performance trends and expectations, particularly in ~~times~~ of stress. The process includes judgments and quantitative elements that may be subject to significant change. ~~Corporation~~ periodically considers the need for qualitative reserves to the ACL. Qualitative adjustments may be related to and ~~include~~, not limited to, factors such as the following: (i) management's assessment of economic forecasts used in the model ~~that~~ ~~forecasts~~ align with management's overall evaluation of current and expected economic conditions; (ii) ~~organization~~ specific concentrations, collateral specific risks, nature and size of the portfolio and external factors that may ~~impacted~~ credit quality, and (iii) other limitations associated with factors such as changes in underwriting and loan resolution ~~strategies~~. The ACL for loans and finance leases is reviewed at least on a quarterly basis as part of the Corporation's ~~evaluated~~ of its asset quality.

The Corporation generally applies probability weights to the baseline and alternative downside economic scenarios to ~~AC~~ ~~with~~ the baseline scenario carrying the highest weight. The scenarios that are chosen each quarter and the ~~weighting~~ given for the different loan portfolio categories depend on a variety of factors including recent economic ~~national~~ ~~regional~~ economic indicators, and industry trends. As of March 31, 2024, the Corporation applied the baseline ~~for the~~ commercial mortgage and construction loan portfolios as deterioration in the CRE price index in these portfolios was ~~expected~~ ~~ever~~ extent than projected in the alternative downside scenario. The economic scenarios used in the ACL ~~determined~~ ~~assumptions~~ related to economic uncertainties associated with geopolitical instability, the CRE price index, ~~unemployment~~ levels, and expected future interest rate adjustments in the Federal Reserve Board's funds rate. As of March ~~the~~ ~~2024~~ Corporation's ACL model considered the following assumptions for key economic variables in the probability-weighted ~~scenarios~~:

- CRE price index at the national level with an average projected contraction of 6.25% for the remainder of ~~2024~~ ~~and~~ ~~projected~~ appreciation of 1.98% for the year 2025, compared to an average projected contraction of 6.81% ~~remainder~~ of 2024 and an average projected appreciation of 2.01% for the year 2025 as of December 31, 2023.
- Regional Home Price Index forecast in Puerto Rico (purchase only prices) is projected to remain relatively ~~flat~~ ~~in~~ ~~the~~ 2024, while for the year 2025 shows a deterioration of 1.22%, when compared to the same period ~~projected~~ ~~on~~ December 31, 2023. For the Florida region, the Home Price Index forecast shows an improvement of ~~0.72%~~ ~~in~~ ~~the~~ 2024 and an improvement of 0.91% for the year 2025, when compared to the same period as of ~~December~~ ~~31~~, 2023.
- Average regional unemployment rate in Puerto Rico is forecasted at 7.03% for the remainder of 2024 and 8.16% ~~for 2025~~ to 7.35% for the remainder of 2024 and 8.08% for the year 2025 as of December 31, 2023. For the Florida ~~and the~~ mainland, average unemployment rate is forecasted at 4.07% and 4.53%, respectively, for the remainder of ~~2024~~ ~~and~~ 4.73%, respectively, for the year 2025, compared to 4.27% and 4.74%, respectively, for the remainder ~~and~~ 2024 ~~and~~ 4.52%, respectively, for the year 2025 as of December 31, 2023.
- Annualized change in gross domestic product ("GDP") in the U.S. mainland of 1.61% for the remainder of 2024 and ~~1.88%~~ ~~year~~ 2025, compared to 0.82% for the remainder of 2024 and 1.64% for the year 2025 as of December 31, 2023.

It is difficult to estimate how potential changes in one factor or input might affect the overall ACL because management considers a wide variety of factors and inputs in estimating the ACL. Changes in the factors and inputs considered may not occur at the same time and not be consistent across all geographies or product types, and changes in factors and inputs may be directionally inconsistent. Improvement in one factor or input may offset deterioration in others. However, to demonstrate the sensitivity of credit estimates to macroeconomic forecasts as of March 31, 2024, management compared the modeled estimates under the most adverse economic scenarios against a more adverse scenario. The more adverse scenario incorporates an additional adverse scenario that increases the weight applied to the baseline scenario. Under this more adverse scenario, as an example, average unemployment in Puerto Rico increases to 7.45% for the remainder of 2024, compared to 7.03% for the same weighted economic scenario projections.

To demonstrate the sensitivity to key economic parameters used in the calculation of the ACL at March 31, 2024, management calculated the difference between the quantitative ACL and this more adverse scenario. Excluding consideration of qualitative factors, this sensitivity analysis would result in a hypothetical increase in the ACL of approximately \$47 million at March 31, 2024. This analysis relates only to the modeled credit loss estimates and is not intended to estimate changes in the overall ACL as it does not reflect any potential changes in other adjustments to the qualitative calculation, which would also be influenced by management's application of the modeled lifetime loss estimates to reflect the uncertainty and imprecision of the estimated circumstances and conditions. Recognizing that forecasts of macroeconomic conditions are inherently uncertain in light of recent economic conditions and challenges, which continue to evolve, management believes that its consideration of the available information and associated risks and uncertainties is appropriately governed and that its estimates of expected losses were reasonable and appropriate for the period ended March 31, 2024.

The ratio of the ACL for loans and finance leases to total loans held for investment decreased to 2.14% as of March 31, 2024, compared to 2.26% as of December 31, 2023. An explanation for the change for each portfolio follows:

- The ACL to total loans ratio for the residential mortgage loan portfolio decreased from 2.03% as of December 31, 2023 to 2.02% as of March 31, 2024, primarily reflecting a more favorable economic outlook, particularly in the projected employment rates.
- The ACL to total loans ratio for the construction loan portfolio was 2.61% as of each of March 31, 2024 and December 2023.
- The ACL to total loans ratio for the commercial mortgage loan portfolio decreased from 1.41% as of December 31, 2023 to 1.38% as of March 31, 2024, mainly driven by improvements in the financial information of certain delinquent and nonaccrual loans, partially offset by deterioration on the economic outlook of certain macroeconomic variables.
- The ACL to total loans ratio for the C&I loan portfolio increased from 1.05% as of December 31, 2023 to 1.07% as of March 31, 2024, mainly due to newly originated loans which have a longer life.
- The ACL to total loans ratio for the consumer loan portfolio decreased from 3.64% as of December 31, 2023 to 3.61% as of March 31, 2024, mainly driven by updated macroeconomic variables, partially offset by increases in historical off-balance sheet items, mainly in credit cards.

The ratio of the total ACL for loans and finance leases to nonaccrual loans held for investment was 283.54% as of March 31, 2024, compared to 312.81% as of December 31, 2023.

Substantially all of the Corporation's loan portfolio is located within the boundaries of the U.S. economy. Whether the ~~located in Puerto Rico, the U.S. and British Virgin Islands, or the U.S. mainland (mainly in the state of Florida), the~~ ~~Corporation's~~ loan portfolio and the value of the collateral supporting the transactions are dependent upon the performance ~~of~~ ~~conditions~~ within each specific area's real estate market. The Corporation believes it sets adequate loan-to-value ratios ~~following its~~ credit policy standards.

As shown in the following tables, the ACL for loans and finance leases amounted to \$263.6 million as of March 31, 2024, or ~~2023~~ ~~2024~~ ~~2023~~ 2.14% ~~2023~~, compared with \$261.8 million, or 2.15% of total loans, as of December 31, 2023. See "Results of Operations - ~~Provision for~~ Credit Losses" and Note 4 – "Allowance for Credit Losses for Loans and Finance Leases" above for additional information.

	Quarter Ended March 31,	
	2024	2023
(Dollars in thousands)		
ACL for loans and finance leases, beginning of year	\$ 261,843	\$ 260,464
Impact of adoption of ASU 2022-02	-	2,116
Provision for credit losses - (benefit) expense:		
Residential mortgage	(464)	73
Construction	571	860
Commercial mortgage	(10)	1,246
C&I	(3,360)	(1,650)
Consumer and finance leases	16,180	15,727
Total provision for credit losses - expense	12,917	16,256
Charge-offs:		
Residential mortgage	(516)	(983)
Commercial mortgage	-	(18)
C&I	(459)	(118)
Consumer and finance leases	(28,364)	(16,798)
Total charge offs	(29,339)	(17,917)
Recoveries:		
Residential mortgage	272	497
Construction	10	63
Commercial mortgage	40	168
C&I	5,119	90
Consumer and finance leases	12,730 (1)	3,830
Total recoveries	18,171 (1)	4,648
Net charge-offs	(11,168)	(13,269)
ACL for loans and finance leases, end of period	\$ 263,592	\$ 265,567
ACL for loans and finance leases to period-end total loans held for investment	2.14%	2.29%
Net charge-offs (annualized) to average loans outstanding during the period	0.37% (2)	0.46%
Provision for credit losses - expense for loans and finance leases to net charge-offs during the period	1.16x	1.23x

(1) For the quarter ended March 31, 2024 includes a recovery totaling \$9.5 million associated with the bulk sale of fully charged-off consumer loans. The recovery associated with the aforementioned bulk sale reduced the ratio of total net charge-offs to related average loans by 31 basis points in the first quarter of 2024.

The following tables set forth information concerning the composition of the Corporation's loan portfolio and related ACL by loan category, and the percentage of loan balances in each category to the total of such loans as of the indicated dates:

As of March 31, 2024	Residential Mortgage Loans	Construction Loans	Commercial Mortgage Loans	C&I Loans	Consumer and Finance Leases	Total
(Dollars in thousands)						
Total loans held for investment:						
Amortized cost of loans	\$ 2,801,587	\$ 237,288	\$ 2,361,731	\$ 3,230,995	\$ 3,679,847	\$ 12,311,448
Percent of loans in each category to total loans	23 %	2 %	19 %	26 %	30 %	100 %
Allowance for credit losses	\$ 56,689	\$ 6,186	\$ 32,661	\$ 34,490	\$ 133,566	\$ 263,592
Allowance for credit losses to amortized cost	2.02 %	2.61 %	1.38 %	1.07 %	3.63 %	2.14 %

As of December 31, 2023	Residential Mortgage Loans	Construction Loans	Commercial Mortgage Loans	C&I Loans	Consumer and Finance Leases	Total
(Dollars in thousands)						
Total loans held for investment:						
Amortized cost of loans	\$ 2,821,726	\$ 214,777	\$ 2,317,083	\$ 3,174,232	\$ 3,657,665	\$ 12,185,483
Percent of loans in each category to total loans	23 %	2 %	19 %	26 %	30 %	100 %
Allowance for credit losses	\$ 57,397	\$ 5,605	\$ 32,631	\$ 33,190	\$ 133,020	\$ 261,843
Allowance for credit losses to amortized cost	2.03 %	2.61 %	1.41 %	1.05 %	3.64 %	2.15 %

#### Allowance for Credit Losses for Unfunded Loan Commitments

The Corporation estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk as a contractual obligation to extend credit, such as pursuant to unfunded loan commitments and standby letters of credit and construction loans, unless the obligation is unconditionally cancellable by the Corporation. The ACL for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. As of March 31, 2024, the ACL for off-balance sheet credit increased by \$0.3 million to \$4.9 million, when compared to December 31, 2023.

#### Allowance for Credit Losses for Held-to-Maturity Debt Securities

As of March 31, 2024, the ACL for held-to-maturity securities portfolio was entirely related to financing arrangements with Puerto Rico municipalities issued in bond form, which the Corporation accounts for as securities, but which were underwritten as loans features that are typically found in commercial loans. As of March 31, 2024, the ACL for held-to-maturity debt securities was \$1.2 million compared to \$2.2 million as of December 31, 2023. The decrease was mostly driven by improvements in the updated financial information of a Puerto Rico municipal bond issuer received during the first quarter of 2024.

#### Allowance for Credit Losses for Available -for-Sale Debt Securities

The ACL for available-for-sale debt securities, which is associated with private label MBS and a residential pass-through by MBSPRHFA, was \$0.4 million as of March 31, 2024, compared to \$0.5 million as of December 31, 2023.

### **Nonaccrual Loans and Non-Performing Assets**

Total non-performing assets consist of nonaccrual loans (generally loans held for investment or loans held for sale for which interest income was discontinued when the loan became 90 days past due or earlier if the full and timely collectability of principal is uncertain), foreclosed real estate and other repossessed properties, and non-performing investment securities. If a loan is placed in nonaccrual status, any interest previously recognized and not collected is reversed and charged against cash payments received are recognized when collected in accordance with the contractual terms of the loan. The principal portion of the payment is used to reduce the principal balance of the loan, whereas the interest portion is recognized (when collected). However, when management believes that the ultimate collectability of principal is in doubt, the interest is applied to the outstanding principal. The risk exposure of this portfolio is diversified as to individual industries, among other factors. In addition, a large portion is secured with real estate collateral.

#### *Nonaccrual Loans Policy*

*Residential Real Estate Loans* The Corporation generally classifies real estate loans in nonaccrual status when it has not received interest and principal for a period of 90 days or more.

*Commercial and Construction Loans* The Corporation classifies commercial loans (including commercial real estate construction loans) in nonaccrual status when it has not received interest and principal for a period of 90 days or more or when it does not expect to collect all of the principal or interest due to deterioration in the financial condition of the borrower.

*Finance Leases*— The Corporation classifies finance leases in nonaccrual status when it has not received interest and principal for a period of 90 days or more.

*Consumer Loans*— The Corporation classifies consumer loans in nonaccrual status when it has not received interest and principal for a period of 90 days or more. Credit card loans continue to accrue finance charges and fees until charged-off at 180 days delinquent.

*Purchased Credit Deteriorated Loans ("PCD")* For PCD loans, the nonaccrual status is determined in the same manner as other loans, except for PCD loans that prior to the adoption of CECL were classified as purchased credit impaired ("PCI") accounted for under ASC Subtopic 310-30, "Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality (Subtopic 310-30)". As allowed by CECL, the Corporation elected to maintain pools of loans accounted for under ASC 310-30 as "units of accounts," conceptually treating each pool as a single asset. Regarding interest income recognition, the transition approach for PCD loans was applied at a pool level, which froze the effective interest rate of the pool as of 2020. According to regulatory guidance, the determination of nonaccrual or accrual status for PCD loans with respect to the Corporation has made a policy election to maintain previously existing pools upon adoption of CECL should be made at the pool level, not the individual asset level. In addition, the guidance provides that the Corporation can continue accruing interest and report the PCD loans as being in nonaccrual status if the following criteria are met: (i) the Corporation can reasonably estimate the amounts of cash flows expected to be collected; and (ii) the Corporation did not acquire the asset primarily for the retransfer or the underlying collateral, such as the use in operations or improving the collateral for resale. Thus, the Corporation exclude these pools of PCD loans from nonaccrual loan statistics.

#### **Other Real Estate Owned**

OREO acquired in settlement of loans is carried at fair value less estimated costs to sell the real estate acquired. Appraisals are generally on an annual basis.

#### **Other Repossessed Property**

The other repurchased property category generally includes repurchased boats and autos acquired in settlement of loans. Repurchased boats and autos are recorded at the lower of cost or estimated fair value.

#### **Other Non-Performing Assets**

This category consists of a residential pass-through MBS issued by the PRHFA placed in non-performing status in quarter of 2021 based on the delinquency status of the underlying second mortgage loans.

### **Loans Past-Due 90 Days and Still Accruing**

These are accruing loans that are contractually delinquent 90 days or more. These past-due loans are either current as to delinquency (well secured and in process of collection) or are insured or guaranteed under FHA, VA, or other government-guaranteed programs for residential mortgage loans. Furthermore, as required by regulations, loans past due 90 days and still accruing include loans previously pooled into GNMA securities for which the Corporation has the option but not the obligation to repurchase loans that meet GNMA's specified delinquency criteria (if the borrower fails to make any payment for three consecutive months). For accounting purposes, these GNMA loans subject to the repurchase option are required to be reflected in the financial statements with an offsetting liability. In addition, loans past due 90 days still accruing include PCD loans, as mentioned above, and credit cards that continue accruing interest until charged-off at 180

The following table presents non-performing assets as of the indicated dates:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
(Dollars in thousands)		
Nonaccrual loans held for investment:		
Residential mortgage	\$ 32,685	\$ 32,239
Construction	1,498	1,569
Commercial mortgage	11,976	12,205
C&I	25,067	15,250
Consumer and finance leases	21,739	22,444
Total nonaccrual loans held for investment	<u>92,965</u>	<u>83,702</u>
OREO	28,864	32,669
Other repossessed property	6,226	8,115
Other assets <sup>(3)</sup>	1,551	1,415
Total non-performing assets	<u>\$ 129,606</u>	<u>\$ 125,906</u>
Past due loans 90 days and still accruing <sup>(2)(3)(4)</sup>	<u>\$ 57,515</u>	<u>\$ 59,452</u>
Non-performing assets to total assets	0.69 %	0.67 %
Nonaccrual loans held for investment to total loans held for investment	0.76 %	0.69 %
ACL for loans and finance leases	\$ 263,592	\$ 261,843
ACL for loans and finance leases to total nonaccrual loans held for investment	283.54%	312.81%
ACL for loans and finance leases to total nonaccrual loans held for investment, excluding residential real estate loans	437.28%	508.75%

(1) Residential pass-through MBS issued by the PRHFA held as part of the available-for-sale debt securities portfolio.

(2) Includes PCD loans previously accounted for under ASC Subtopic 310-30 for which the Corporation made the accounting policy election of maintaining pools of loans as "units of account" both at the time of adoption of CECL on January 1, 2020 and on an ongoing basis for credit loss measurement. These loans will continue to be excluded from nonaccrual loan statistics as long as the Corporation can reasonably estimate the timing and amount of cash flows expected to be collected on the loan pools. The portion of such loans contractually past 90 days or more amounted to \$8.6 million and \$8.3 million as of March 31, 2024 and December 31, 2023, respectively.

(3) Includes FHA/VA government-guaranteed residential mortgage as loans past-due 90 days and still accruing as opposed to nonaccrual loans. The Corporation continues accruing interest on these loans until they have passed the 15 months delinquency mark, taking into consideration the FHA interest curtailment process. These balances include \$13.7 million and \$15.4 million of FHA government guaranteed residential mortgage loans that were over 15 months delinquent as of March 31, 2024 and December 31, 2023, respectively.

(4) These includes rebooked loans, which were previously pooled into GNMA securities, amounting to \$8.8 million and \$7.9 million as of March 31, 2024 and December 31, 2023, respectively. Under the GNMA program, the Corporation has the option but not the obligation to repurchase loans that meet GNMA's specified delinquency criteria. For accounting purposes, the loans subject to the repurchase option are required to be reflected on the financial statements with an offsetting liability.

Total non-performing assets increased by \$3.7 million to \$129.6 million as of March 31, 2024, compared to \$125.9 million as of December 31, 2023. The increase in non-performing loans was driven by a \$9.3 million increase in total nonaccrual loans held, partially offset by a \$3.8 million decrease in the OREO portfolio balance and a \$1.9 million decrease in other reposessed assets.

Total nonaccrual loans were \$93.0 million as of March 31, 2024. This represents a net increase of \$9.3 million from \$83.7 million as of December 31, 2023, consisting of increases of \$9.5 million and \$0.5 million in nonaccrual commercial and residential mortgage loans, respectively, partially offset by a decrease of \$0.7 million in nonaccrual consumer loans. The increase in nonaccrual commercial and construction loans was primarily driven by the inflow to nonaccrual status of \$10.5 million in the Florida region in the power generation industry.

The following table shows non-performing assets by geographic segment as of the indicated dates:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
(In thousands)		
<b>Puerto Rico:</b>		
Nonaccrual loans held for investment:		
Residential mortgage	\$ 17,521	\$ 18,324
Construction	531	595
Commercial mortgage	3,037	3,106
C&I	13,431	13,414
Consumer and finance leases	21,503	21,954
Total nonaccrual loans held for investment	<u>56,023</u>	<u>57,393</u>
OREO	24,577	28,382
Other reposessed property	5,916	7,857
Other assets	1,551	1,415
Total non-performing assets	<u>\$ 88,067</u>	<u>\$ 95,047</u>
Past due loans 90 days and still accruing	<u>\$ 51,614</u>	<u>\$ 53,308</u>
<b>Virgin Islands:</b>		
Nonaccrual loans held for investment:		
Residential mortgage	\$ 6,693	\$ 6,688
Construction	967	974
Commercial mortgage	8,939	9,099
C&I	1,119	1,169
Consumer	203	419
Total nonaccrual loans held for investment	<u>17,921</u>	<u>18,349</u>
OREO	4,287	4,287
Other reposessed property	287	252
Total non-performing assets	<u>\$ 22,495</u>	<u>\$ 22,888</u>
Past due loans 90 days and still accruing	<u>\$ 5,762</u>	<u>\$ 6,005</u>
<b>United States:</b>		
Nonaccrual loans held for investment:		
Residential mortgage	\$ 8,471	\$ 7,227
C&I	10,517	667
Consumer	33	71
Total nonaccrual loans held for investment	<u>19,021</u>	<u>7,965</u>
Other reposessed property	23	6
Total non-performing assets	<u>\$ 19,044</u>	<u>\$ 7,971</u>
Past due loans 90 days and still accruing	<u>\$ 139</u>	<u>\$ 139</u>

The following tables present the activity of commercial and construction nonaccrual loans held for investment for the indicated periods:

	<u>Construction</u>	<u>Commercial Mortgage</u>	<u>C&amp;I</u>	<u>Total</u>
<b>(In thousands)</b>				
<b>Quarter Ended March 31, 2024</b>				
Beginning balance	\$ 1,569	\$ 12,205	\$ 15,250	\$ 29,024
Plus:				
Additions to nonaccrual	-	-	11,041	11,041
Less:				
Loans returned to accrual status	-	-	-	-
Nonaccrual loans transferred to QREO	(48)	-	-	(48)
Nonaccrual loans charge-offs	-	-	(459)	(459)
Loan collections	(23)	(229)	(765)	(1,017)
Ending balance	<u>\$ 1,498</u>	<u>\$ 11,976</u>	<u>\$ 25,067</u>	<u>\$ 38,541</u>

	<u>Construction</u>	<u>Commercial Mortgage</u>	<u>C&amp;I</u>	<u>Total</u>
<b>(In thousands)</b>				
<b>Quarter Ended March 31, 2023</b>				
Beginning balance	\$ 2,208	\$ 22,319	\$ 7,830	\$ 32,357
Plus:				
Additions to nonaccrual	127	544	7,470	8,141
Less:				
Loans returned to accrual status	-	(361)	(152)	(513)
Nonaccrual loans transferred to QREO	(332)	(162)	(183)	(677)
Nonaccrual loans charge-offs	-	(18)	(118)	(136)
Loan collections	(209)	(730)	(1,443)	(2,382)
Reclassification	-	6	-	6
Ending balance	<u>\$ 1,794</u>	<u>\$ 21,598</u>	<u>\$ 13,404</u>	<u>\$ 36,796</u>

The following table presents the activity of residential nonaccrual loans held for investment for the indicated periods:

	<u>Quarter Ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
(In thousands)		
Beginning balance	\$ 32,239	\$ 42,772
Plus:		
Additions to nonaccrual	4,596	2,081
Less:		
Loans returned to accrual status	(2,833)	(3,937)
Nonaccrual loans transferred to OREO	(404)	(2,710)
Nonaccrual loans charge-offs	(125)	(220)
Loan collections	(788)	(1,570)
Reclassification	-	(6)
Ending balance	<u>\$ 32,685</u>	<u>\$ 36,410</u>

The amount of nonaccrual consumer loans, including finance leases, decreased by \$0.7 million to \$21.7 million as of ~~2024~~ as compared to \$22.4 million as of December 31, 2023. The decrease was mainly reflected in the ~~finance lease portfolio~~ loan

As of March 31, 2024, approximately \$23.8 million of the loans placed in nonaccrual status, mainly commercial and ~~mortgage loans~~, were current, or had delinquencies of less than 90 days in their interest payments. Collections on these loans are ~~based~~ on a cash basis through earnings, or on a cost-recovery basis, as conditions warrant.

During the quarter ended March 31, 2024, interest income of approximately \$0.1 million related to nonaccrual loans with a ~~value~~ of \$33.4 million as of March 31, 2024, mainly nonaccrual commercial and construction loans, was applied against the ~~related~~ balances under the cost-recovery method.

Total loans in early delinquency, 30-89 days past due loans, as defined in regulatory reporting instructions amounted to \$133.7 million as of March 31, 2024, a decrease of \$17.1 million, compared to \$150.8 million as of December 31, 2023. The ~~various~~ ~~portfolio~~ categories are as follows:

- Consumer loans in early delinquency decreased by \$15.5 million to \$96.5 million, mainly reflected in the auto loan portfolio.
- Residential mortgage loans in early delinquency decreased by \$4.0 million to \$32.5 million.
- Commercial and construction loans in early delinquency increased by \$2.4 million to \$4.7 million, mainly due to ~~commercial~~ loans that matured and are in the process of renewal but for which the Corporation continues to receive ~~interest~~ principal payments from the borrower.

In addition, the Corporation provides homeownership preservation assistance to its customers through a loss mitigation ~~Depend~~ing, upon the nature of a borrower's financial condition, restructurings or loan modifications through this ~~provided~~, as well as other modifications of individual C&I, commercial mortgage, construction, and residential mortgage ~~Notes~~.<sup>1</sup> See "Basis of Presentation and Significant Accounting Policies" to the unaudited consolidated financial statements ~~for information~~ related to the accounting policies of loan modifications granted to borrowers experiencing financial ~~difficulty~~, see Note 3 – "Loans Held for Investment" to the unaudited consolidated financial statements herein for ~~information~~ and statistics about the Corporation's modified loans.

The OREO portfolio, which is part of non -performing assets, amounted to \$28.9 million as of March 31, 2024 and \$32.7 million as of December 31, 2023. The following tables show the composition of the OREO portfolio as of March 31, 2024 and December 31, 2023, as well as the activity of the OREO portfolio by geographic area during the quarter ended March 31, 2024:

**OREO Composition by Region**

(In thousands)	As of March 31, 2024			
	Puerto Rico	Virgin Islands	Florida	Consolidated
Residential	\$ 15,254	\$ 1,452	\$ -	\$ 16,706
Construction	1,656	25	-	1,681
Commercial	7,667	2,810	-	10,477
	<u>\$ 24,577</u>	<u>\$ 4,287</u>	<u>\$ -</u>	<u>\$ 28,864</u>

(In thousands)	As of December 31, 2023			
	Puerto Rico	Virgin Islands	Florida	Consolidated
Residential	\$ 18,809	\$ 1,452	\$ -	\$ 20,261
Construction	1,576	25	-	1,601
Commercial	7,997	2,810	-	10,807
	<u>\$ 28,382</u>	<u>\$ 4,287</u>	<u>\$ -</u>	<u>\$ 32,669</u>

**OREO Activity by Region**

(In thousands)	Quarter Ended March 31, 2024			
	Puerto Rico	Virgin Islands	Florida	Consolidated
Beginning Balance	\$ 28,382	\$ 4,287	\$ -	\$ 32,669
Additions	1,213	-	-	1,213
Sales	(4,451)	-	-	(4,451)
Subsequent measurement adjustments	(152)	-	-	(152)
Other adjustments	(415)	-	-	(415)
Ending Balance	<u>\$ 24,577</u>	<u>\$ 4,287</u>	<u>\$ -</u>	<u>\$ 28,864</u>

#### Net Charge-offs and Total Credit Losses

Net charge-offs totaled \$11.2 million for the first quarter of 2024, or 0.37% of average loans on an annualized basis, or an annualized 0.46% of average loans, for the first quarter of 2023. Net charge-offs for the first quarter of 2024 million recovery associated with the bulk sale of fully charged-off consumer loans, which reduced by 31 basis points the ratio of total net charge-offs to average loans for the first quarter of 2024.

C&I loans net recoveries for the first quarter of 2024 were \$4.7 million, or an annualized 0.59% of related average loans, to net charge-offs of \$28 thousand for the first quarter of 2023. The net recoveries for the first quarter of 2024 include a \$5.0 million recovery associated with a C&I loan in the Puerto Rico region.

Consumer loans and finance leases net charge-offs for the first quarter of 2024 were \$15.6 million, or an annualized 1.54% of related average loans, compared to net charge-offs of \$13.0 million, or an annualized 1.54% of related average loans for the first quarter of 2023. The increase, which was primarily reflected in the auto and personal loan portfolios, was partially offset by the aforementioned bulk sale, which reduced by 104 basis points the ratio of consumer leases and charge-offs to related average loans for the first quarter of 2024.

The following table presents annualized net charge-offs (recoveries) to average loans held-in-portfolio for the indicated periods:

	Quarter Ended March 31,	
	2024	2023
Residential mortgage	0.03%	0.07%
Construction	(0.02)%	(0.17)%
Commercial mortgage	(0.01)%	(0.03)%
C&I	(0.59)%	- %
Consumer and finance leases	1.70% <sup>(1)</sup>	1.54%
Total loans	0.37% <sup>(1)</sup>	0.46%

(1) The \$9.5 million recovery associated with the bulk sale of fully charged-off consumer loans during the first quarter of 2024 reduced the ratios of consumer loans and finance leases and total net charge-offs to related average loans by 104 basis points and 31 basis points, respectively.

The following table presents annualized net charge-offs (recoveries) to average loans held in various portfolios by geographic segment for the indicated periods:

	Quarter Ended March 31,	
	2024	2023
<b>PUERTO RICO:</b>		
Residential mortgage	0.05 %	0.10 %
Construction	- %	(0.47)%
C&I	(0.93)%	0.01 %
Consumer and finance leases	1.67 % <sup>(1)</sup>	1.53 %
Total loans	0.42 % <sup>(1)</sup>	0.58 %
<b>VIRGIN ISLANDS:</b>		
Residential mortgage	- %	(0.08)%
Commercial mortgage	(0.22)%	(0.21)%
C&I	- %	(0.01)%
Consumer and finance leases	3.73 %	2.19 %
Total loans	0.57 %	0.29 %
<b>FLORIDA:</b>		
Construction	(0.05)%	(0.05)%
Commercial mortgage	- %	(0.09)%
C&I	0.11 %	- %
Consumer and finance leases	0.55 %	0.17 %
Total loans	0.05 %	(0.03)%

(1) The recovery associated with the aforementioned bulk sale reduced the ratios of consumer loans and finance leases and total net charge-offs to related average loans for the quarter ended March 31, 2024 by ~~15.44~~ basis points, respectively.

The following table presents information about the OREO inventory and related gains and losses for the indicated periods:

	Quarter ended March	
	2024 <sup>31</sup>	2023
(Dollars in thousands)		
<b>OREO</b>		
OREO balances, carrying value:		
Residential	\$ 16,706	\$ 24,984
Construction	1,681	1,764
Commercial	10,477	6,114
Total	\$ 28,864	\$ 32,862
OREO activity (number of properties):		
Beginning property inventory	277	344
Properties acquired	16	59
Properties disposed	(46)	(59)
Ending property inventory	247	344
Average holding period (in days):		
Residential	526	533
Construction	2,399	2,266
Commercial	1,579	2,468
Total average holding period (in days)	1,017	986
OREO operations (gain) loss:		
Market adjustments and (gains) losses on sale:		
Residential	\$ (1,826)	\$ (2,490)
Construction	(9)	(40)
Commercial	19	67
Total net gain	(1,816)	(2,463)
Other OREO operations expenses	364	467
<b>Net Gain on OREO operations</b>	<b>\$ (1,452)</b>	<b>\$ (1,996)</b>

## ***Operational Risk***

The Corporation faces ongoing and emerging risk and regulatory pressure related to the activities that surround the delivery of financial products. Coupled with external influences, such as market conditions, security risks, and legal potential for operational and reputational loss has increased. To mitigate and control operational risk, the Corporation has adopted specific internal controls, policies and procedures that are designed to identify and manage appropriate risk levels throughout the organization. The purpose of these mechanisms is to provide reasonable assurance that business operations are functioning within the policies and limits established by management.

The Corporation classifies operational risk into two major categories: business-specific and corporate-wide affecting all lines of business. For business specific risks, Enterprise Risk Management works with the various business units to ensure consistency in processes and assessments. With respect to corporate-wide risks, such as information security, business recovery, and compliance, the Corporation has specialized groups, such as the Legal Department, Information Security, Corporate Governance and Enterprise Risk Management. These groups assist the lines of business in the development and implementation of management practices specific to the needs of the business groups.

## **Legal and Compliance Risk**

Legal and compliance risk includes the risk of noncompliance with applicable legal and regulatory requirements, the risk of legal judgments against the Corporation, and the risk that a counterparty's performance obligations will be subject to extensive regulation in the different jurisdictions in which it conducts its business, and this risk has been significantly increasing over the years. The Corporation has established, and continues to enhance, procedures to ensure compliance with all applicable statutory, regulatory and any other legal requirements. The Compliance Director who reports to the Chief Risk Officer and is responsible for the oversight of regulatory implementation of an enterprise-wide compliance risk assessment process. The Compliance division has officer roles in business areas with direct reporting responsibilities to the Corporate Compliance Group.

## **Concentration Risk**

The Corporation conducts its operations in a geographically concentrated area, as its main market is Puerto Rico. Of the total loan portfolio held for investment of \$12.3 billion as of March 31, 2024, the Corporation had credit risk of approximately 80% in Puerto Rico region, 17% in the United States region, and 3% in the Virgin Islands region.

## ***Update on the Puerto Rico Fiscal and Economic Situation***

A significant portion of the Corporation's business activities and credit exposure is concentrated in the Commonwealth of Puerto Rico, which has experienced economic and fiscal distress over the last decade. See "Risk Management — Exposure to Puerto Rico" below. Since declaring bankruptcy and benefitting from the enactment of the federal Puerto Rico Management and Economic Stability Act ("PROMESA") in 2016, the Government of Puerto Rico has made progress on fiscal matters by restructuring a large portion of its outstanding public debt and identifying funding sources for its underfunded pension plan.

## *Economic Indicators*

On March 18, 2024, the Puerto Rico Planning Board ("PRPB") published an analysis of the Puerto Rico's economy during fiscal year 2023, as well as a short-term forecast for fiscal years 2024 and 2025. According to the preliminary estimates issued by the P.R.P.B., Puerto Rico's real gross national product ("GNP") grew by 0.7% in fiscal year 2023, the third consecutive year with a positive year-over-year variance. The main drivers behind growth in fiscal year 2023 were personal consumption expenditures in both construction, and machinery and equipment. The P.R.P.B. also revised previously published real GDP data for fiscal years 2022 and 2021 from 3.7% to 3.8% and from 0.9% to 1.4%, respectively.

There are other indicators that gauge economic activity and are published with greater frequency, for example, the [Economic Development Bank](#) for Puerto Rico's Economic Activity Index ("EDB-EAI"). Although not a direct measure of Puerto Rico's GNP, the EDB-EAI is correlated to Puerto Rico's real GNP. For December 2023, estimates showed that the EDB-EAI stood at 127.5, the highest level since September 2014 and approximately 3.3% above the comparable figure a year earlier.

Labor market trends remain positive. Data published by the Bureau of Labor Statistics showed that March 2024 payroll Puerto Rico increased by 2.2% when compared to March 2023, supported by a year-over-year increase and 6.2% capitality payroll employment and an 4.4% year-over-year increase in construction-related payroll employment. The remained relatively at a near-record-low of 5.8%.

## *Fiscal Plan*

On April 3, 2023, the PROMESA oversight board certified the 2023 Fiscal Plan for Puerto Rico (the “2023 Fiscal Plan”). Unlike previous versions of the fiscal plan, the PROMESA oversight board segregated the 2023 Fiscal Plan into three different volumes. The first volume, Volume 1, certified in a post-bankruptcy environment, presents a Transformation Plan that highlights priority areas of fiscal responsibility, accelerate economic growth in a sustainable manner, and restore market access to Puerto Rico. Volume 2 provides additional details on economic trends and financial projections, and Volume 3 maps out the supplementary implementation guide the government’s implementation of the requirements of the 2023 Fiscal Plan, as well as additional prioritized fiscal plans which remain mandatory and are still pending to be implemented.

The 2023 Fiscal Plan prioritizes resource allocation across three major pillars: (i) entrenching a legacy of management and oversight through the implementation of a comprehensive financial management agenda, (ii) instilling a culture of performance and excellence to properly delivery quality public services, and (iii) investing for economic growth to ensure revenues are generated to support the delivery of services. According to the Transformation Plan, the fiscal and economic development of Puerto Rico cannot be accomplished without the implementation of structural economic reforms that promote sustainable development. These reforms include power/energy sector reform to improve availability, reliability and affordability of electricity reform to expand opportunity and prepare the workforce to compete for jobs of the future, and an infrastructure reform to increase the efficiency of the economy and facilitating investment. The 2023 Fiscal Plan projects that these reforms, if implemented successfully, will contribute 0.75% in GNP growth by fiscal year 2026. Additionally, the 2023 Fiscal Plan provides for a tax reform directed towards establishing a tax regime that is more competitive for investors and more inevitable for

The 2023 Fiscal Plan notes that Puerto Rico has had a strong recovery in the aftermath of the COVID-19 pandemic crisis with participation trending positively and unemployment at historically low levels. However, it recognizes that such recovery ~~is partially fueled by the unprecedented influx of federal funds which have an outsized and temporary impact that may mask underlying weaknesses in the economy.~~ As such, the 2023 Fiscal Plan projects a 0.7% decline in real GNP for the current ~~2022~~, followed by a period of near-zero real growth in fiscal years 2024 through 2026. Also, the fiscal plan projects that Puerto Rico's population will continue the long-term trend of steady decline. Notwithstanding, the Transformation Plan depicts that, if ~~proposed~~ these non-recurring federal funds can be leveraged into sustainable longer-term growth and opportunity.

The 2023 Fiscal Plan projects that approximately \$81 billion in total disaster relief funding, from federal and private ~~best interests~~ will be part of the reconstruction efforts over a span of 18 years (fiscal years 2018 through 2035). These funds ~~will benefit~~, the public (e.g., reconstruction of major infrastructure, roads, and schools), and will cover part of Puerto Rico's ~~share~~ of disaster relief funding. Also, the 2023 Fiscal Plan projects the \$9.3 billion in remaining COVID-19 relief ~~funds to be~~ fiscal years 2023 through 2025, compared to \$4.5 billion projected in the previous fiscal plan. Additionally, ~~Fiscal 2023~~ continues to account for \$2.3 billion in federal funds to Puerto Rico from the Bipartisan Infrastructure ~~Plan~~ towards improving Puerto Rico's infrastructure over fiscal years 2022 through 2026.

On April 25, 2024, the PROMESA oversight board sent a letter to the Governor of Puerto Rico extending the ~~certification of~~ the 2024 Fiscal Plan for Puerto Rico (the "2024 Fiscal Plan") on or before May 3, 2024; however, as of the date of this ~~letter~~, the 2024 Fiscal Plan had not been published or certified by the PROMESA oversight board.

#### *Debt Restructuring*

Over 80% of Puerto Rico's outstanding debt has been restructured to date. On March 15, 2022, the Plan of ~~Adjustment to the~~ debt became effective through the exchange of more than \$33 billion of existing bonds and other ~~approximately~~ \$7 billion of new bonds, saving Puerto Rico more than \$50 billion in debt payments to creditors. ~~Restructurings of the Puerto Rico Sales Tax Financing Corporation ("COFINA"), the Highways and Transportation Authority and the Puerto Rico Aqueducts and Sewers Authority ("PRASA") are expected to yield savings of \$1 billion, \$600 million, and \$400 million, respectively, in future debt service payments.~~ The main restructurings pending include ~~that~~ Puerto Rico Electric Power Authority ("PREPA") and the Puerto Rico Industrial Company ("PRIDCO").

On June 23, 2023, the Fiscal Oversight and Management Board for Puerto Rico certified a new fiscal plan for ~~PREPA~~ ~~which~~ recent projections of energy consumption in Puerto Rico and consequently reflected a significant reduction ~~projected~~ revenues for PREPA over the next years. As such, PREPA concluded that its ability to repay its ~~significantly lower~~ what was previously stated. On June 26, 2023, Judge Laura Taylor Swain resolved that PREPA's ~~bondholders~~ secured claim of \$2.4 billion against PREPA and not the approximately \$9.0 billion that bondholders were claiming.

On February 23, 2024, the PROMESA oversight board filed the fourth amended Plan of Adjustment to reduce ~~billion of~~ ~~that asserted~~ claims by various creditors against PREPA by approximately 80% to \$2.5 billion, excluding pension liabilities. According to the PROMESA oversight board, bondholders who support the plan would recover 12.5% of their original asserted ~~while~~ bondholders who do not agree to the proposed plan would recover 3.5% of their asserted claim. Combined with other ~~agreements~~ and settlements that remain in place, approximately 43% of PREPA's creditors support the third amended plan. In ~~addition~~ conforming to Judge Taylor Swain's ruling made in June, the amended plan also conforms to the previously ~~discretionary~~ analysis in the revised PREPA Fiscal Plan certified in June 2023 that is based on the most recent ~~projections~~ operating costs and future demand for its services. The PREPA pension treatment remains unchanged ~~and~~ ~~able~~ ~~and~~ PREPA retirees will be paid in full for all benefits earned through the effective date of the plan. After ~~that date~~, benefits can be earned under the defined benefit plan by existing or new participants. From March 4, 2024, through ~~2024~~, court held multiple hearings concerning the request of the PROMESA oversight board for approval of the PREPA ~~parent~~ of the confirmation hearings, Judge Taylor Swain reserved judgement. On April 2, 2024, Judge Taylor Swain ~~approves~~ the oversight board's request of extending the appointment of the lead mediator through September 30, 2024.

#### *Other Developments*

Notable progress continues to be made as part of the ongoing efforts of prioritizing the restoration, modernization, and improvement of Puerto Rico's infrastructure, particularly in the aftermath of Hurricane Maria in 2017. During the 12-month period ended February 29, 2024, over \$3.36 billion in disaster relief funds were disbursed through FEMA's Public Assistance program, a 46% increase compared to the same period in 2023. These funds will continue to play a key role in supporting Puerto Rico's recovery and are expected to have a positive impact on the Island's infrastructure. For example, approximately 86% of the projects FEMA has obligated to address damage caused by Hurricane Maria have resources to reinforce their infrastructure, hazard mitigation measures, that will prepare these facilities for future weather events. As of April 29, 2024, over 2,750 projects have been completed under FEMA's Public Assistance programs while over 21,000 projects were active across different stages of completion for a total cost of \$10.6 billion, equivalent to approximately 31% of the agency's \$33 billion obligation, according to the Central Office for Recovery, Reconstruction and Resiliency ("COR3").

### ***Exposure to Puerto Rico Government***

As of March 31, 2024, the Corporation had \$313.7 million of direct exposure to the Puerto Rico government, its municipalities and corporations, compared to \$297.9 million as of December 31, 2023. The \$15.8 million increase was mainly due to the \$13.6 million loan to a municipality in Puerto Rico that is supported by assigned property tax revenues. As of March 31, 2024, approximately \$202.9 million of the exposure consisted of loans and obligations of municipalities in Puerto Rico supported by assigned property tax revenues and for which, in most cases, the good faith, credit and unlimited taxing power of the municipality have been pledged to their repayment, and \$59.2 million consisted of loans and obligations supported by one or more specific sources of municipal revenues. Approximately 69% of the Corporation's exposure to municipalities consisted primarily of senior priority loans and obligations concentrated in four of the largest municipalities in Puerto Rico. The municipalities are required by law to levy special property taxes in such amounts as are required for the payment of all respective general obligation bonds and notes. Furthermore, municipalities are also likely to be affected by other effects resulting from expense, revenue, or cash management measures taken to address the entity's fiscal problems and measures included in fiscal plans of other government entities. In addition to total corporate exposure, the Corporation's exposure also included \$8.9 million in a loan extended to an affiliate of the Puerto Rico Electric Power Authority (PREPA), \$39.6 million in loans to agencies or public corporations of the Puerto Rico government, and obligations of the Puerto Rico government, specifically a residential pass-through MBS issued by the PRHFA, at an amortized cost of \$3.1 million as part of the available-for-sale debt securities portfolio (fair value of \$1.6 million as of March 31, 2024).

The following table details the Corporation's total direct exposure to Puerto Rico government obligations according to their maturity.

	As of March 31, 2024		
	Investment Portfolio (Amortized cost)	Loans	Total Exposure
(In thousands)			
Puerto Rico Housing Finance Authority:			
After 10 years	\$ 3,112	\$ -	\$ 3,112
<b>Total Puerto Rico Housing Finance Authority</b>	<b>3,112</b>	<b>-</b>	<b>3,112</b>
Agencies and public corporation of the Puerto Rico government:			
After 1 to 5 years	-	15,732	15,732
After 5 to 10 years	-	23,841	23,841
<b>Total agencies and public corporation of the Puerto Rico government</b>	<b>-</b>	<b>39,573</b>	<b>39,573</b>
Affiliate of the Puerto Rico Electric Power Authority:			
After 1 to 5 years	-	8,878	8,878
<b>Total Puerto Rico government affiliate</b>	<b>-</b>	<b>8,878</b>	<b>8,878</b>
<b>Total Puerto Rico public corporations and government affiliate</b>	<b>-</b>	<b>48,451</b>	<b>48,451</b>
Municipalities:			
Due within one year	3,172	7,173	10,345
After 1 to 5 years	51,327	52,336	103,663
After 5 to 10 years	36,034	95,505	131,539
After 10 years	16,595	-	16,595
<b>Total Municipalities</b>	<b>107,128</b>	<b>155,014</b>	<b>262,142</b>
<b>Total Direct Government Exposure</b>	<b>\$ 110,240</b>	<b>\$ 203,465</b>	<b>\$ 313,705</b>

In addition, as of March 31, 2024, the Corporation had \$76.5 million in exposure to residential mortgage loans that are guaranteed by the Puerto Rico Housing Finance Authority (PRHFA), a governmental instrumentality that has been designated as a covered entity under PROMESA (December 31, 2023–million). Residential mortgage loans guaranteed by the PRHFA are secured by the underlying properties and the Puerto Rico government guarantees up to \$75 million principal for all loans under the mortgage loan insurance program. According to the most recently released statement of the PRHFA, as of June 30, 2022, the PRHFA's mortgage loans insurance program covered loans in an aggregate amount of approximately \$418 million. The regulations adopted by the PRHFA require the establishment of adequate reserves to guarantee the solvency of the mortgage loans insurance program. As of June 30, 2022, the most recent date as of which information is available, the liability of approximately \$1 million as an estimate of the losses inherent in the portfolio.

As of March 31, 2024, the Corporation had \$2.8 billion of public sector deposits in Puerto Rico, compared to \$2.7 billion as of December 31, 2023. Approximately 20% of the public sector deposits as of March 31, 2024 were from municipalities and municipalities in Puerto Rico and 80% were from public corporations, the Puerto Rico central government and agencies, and U.S. government agencies in Puerto Rico.

#### **Exposure to USVI Government**

The Corporation has operations in the USVI and has credit exposure to USVI government entities.

For many years, the USVI has been experiencing several fiscal and economic challenges that have deteriorated the overall financial and economic conditions in the area. However, on May 22, 2023, the United States Bureau of Economic Analysis released its estimates of GDP for 2021. According to the BEA, the USVI's real GDP increased 2.8% in 2021 after decreasing 2020. The increase in real GDP reflected increases in exports and personal consumption expenditures. These increases were partially offset by decreases in private inventory investment, private fixed investment, and government spending. Imports, a subtraction from the calculation of GDP, also decreased.

Over the past three years, the USVI has been recovering from the adverse impact caused by COVID-19 and has continued to progress on its rebuilding efforts related to Hurricanes Irma and Maria, which occurred in 2017. According to data published by the government, over \$5.1 billion in disaster recovery funds had been disbursed through February 2024 and \$8.6 billion were remaining funds waiting to be disbursed. Moreover, labor market trends remain stable with payroll employment for the first quarter up 0.1% when compared to the fourth quarter of 2023.

On December 14, 2023, Fitch Ratings announced that it withdrew the ratings of the U.S. Virgin Islands Water and Power Authority (WAPA) primarily due to limited availability of the authority's operating and financial information from public sources and WAPA's management.

Finally, PROMESA does not apply to the USVI and, as such, there is currently no federal legislation permitting the restructuring of the debts of the USVI and its public corporations and instrumentalities. To the extent that the fiscal condition of the USVI deteriorates again, the U.S. Congress or the government of the USVI may enact legislation allowing for the fiscal restructuring of the USVI government entities or imposing a stay on creditor remedies, including by making PROMESA applicable to the USVI.

As of March 31, 2024, the Corporation had \$97.4 million in loans to USVI public corporations, compared to \$90.5 million as of December 31, 2023. As of March 31, 2024, all loans were currently performing and up to date on principal and interest payments.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For information regarding market risk to which the Corporation is exposed, see the information contained in Part "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management" in this ~~Report~~ Form 10-Q.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

First Bancorp.'s management, including its Chief Executive Officer and Chief Financial Officer, evaluated the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, the Chief Executive Officer concluded that the Corporation's disclosure controls and procedures were effective as of March 31, 2024 and provide reasonable assurance that the information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the specified periods SEC rules and forms and is accumulated and reported to the Corporation's management, including the Chief Executive Officer, as appropriate, to allow timely decisions regarding required disclosures.

#### **Internal Control over Financial Reporting**

There were no changes to the Corporation's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent quarter ended March 31, 2024 that have materially affected, or are reasonably likely to affect, the Corporation's internal control over financial reporting.

## PART II - OTHER INFORMATION

In accordance with the instructions to Part II of Form 10-Q, the other specified items in this part have been omitted because they are not applicable, or the information has been previously reported.

### ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see Note 21 – “Regulatory Matters, Commitments and Contingencies,” to the audited financial statements herein, which is incorporated by reference in this Part II, Item 1.

### ITEM 1A. RISK FACTORS

The Corporation's business, operating results and/or the market price of our common stock may be significantly affected by a detailed discussion of certain risk factors that could affect the Corporation's future operations, financial condition or results of operations is set forth in Part I, Item 1A, “Risk Factors,” in the 2023 Annual Report on Form 10-K. These risk factors, and others, could cause actual results to differ materially from historical results or the results contemplated by the forward-looking statements contained in this Quarterly Report on Form 10-Q for additional information that may appear in the discussion of risk factors in the 2023 Annual Report on Form 10-K.

Other than as described below, there have been no material changes from those risk factors previously disclosed in Part I, Item 1A, “Risk Factors,” in the 2023 Annual Report on Form 10-K.

*The volatility in the financial services industry, including failures or rumored failures of other depository institutions, by governmental agencies to stabilize the financial system, could result in, among other things, bank depositors, and increased regulatory requirements and costs.*

The closure and placement into receivership with the FDIC of certain large U.S. regional banks with assets over \$100 billion in March 2023, and adverse developments affecting other banks, resulted in heightened levels of market volatility and regulatory scrutiny, customer confidence in the safety and soundness of financial institutions. These developments impacted regulated banks experiencing higher than normal deposit outflows and an elevated level of competition for available deposits in the market. The impact of market volatility from the adverse developments in the banking industry, along with continued elevated interest rates and related financial results, will depend on future developments, which are highly uncertain and difficult to predict.

In the aftermath of these recent bank failures, the banking agencies have increased regulatory requirements and costs that capitalizes on the FDIC deposit insurance premium. For example, on November 16, 2023, the FDIC approved a final rule to implement a special assessment to recover the loss to the Deposit Insurance Fund associated with protecting uninsured depositors following the failure of Valley Bank and Signature Bank during the first half of 2023. Under the final rule, the FDIC will collect the special assessment rate of 3.36 basis points, beginning with the first quarterly assessment period of 2024 (i.e., January 1 through March 31, 2024), invoice payment date of June 28, 2024, and will continue to collect special assessments for an anticipated total of eight quarterly periods. The base for the special assessment is equal to the estimated uninsured deposits reported for the reporting period 2022, adjusted to exclude the first \$5 billion of such amount. In association with this final rule, as of December 31, 2023, the Corporation recorded an initial special assessment of \$6.3 million.

On February 23, 2024, the FDIC informed that the estimated loss attributable to the protection of uninsured depositors of failed institutions is \$20.4 billion, an increase of approximately \$4.1 billion from the estimate of \$16.3 billion in the initial special assessment notice. The estimated loss may be partially offset by any potential future recoveries from the residual interests retained in each failed institution. In connection with this notice, during the first quarter of 2024, the Corporation recorded a \$0.9 million additional expense in the statements of income as part of “FDIC deposit insurance” expenses to increase the estimated FDIC special assessment to \$70.8

The FDIC retains the ability to cease collection early, extend the special assessment collection period beyond the eight-quarter period, or impose an additional shortfall special assessment on a one-time basis after the receiverships for the two failed institutions are concluded. The collection period may change due to updates to the estimated loss pursuant to the systemic risk determination collected change due to corrective amendments to the amount of uninsured deposits reported for the Reporting Period. The FDIC will provide any updates on the estimated loss and collection period for the special assessment in the second quarter of 2024 special assessment invoice, to be released in June 2024.

The federal financial regulatory agencies may take other measures to address macroeconomic conditions, as well as the effect of bank failures in the U.S. mainland during the first half of 2023, although the nature and impact of such actions cannot be predicted at this time.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Corporation did not have any unregistered sales of equity securities during the quarter ended March 31, 2024.

### Issuer Purchases of Equity Securities

The following table provides information in relation to the Corporation's purchases of its common stock during the quarter ended 31 March 2024.

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Authorized Plans or Programs <sup>(1)</sup>	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands) <sup>(1)</sup>
January 1, 2024 - January 31, 2024	120,499	\$ 16.96	120,499	\$ 147,957
February 1, 2024 - February 29, 2024	2,501,861	16.57	2,501,861	106,499
March 1, 2024 - March 31, 2024	520,229	17.02	384,191	100,000
<b>Total</b>	<b>3,142,589<sup>(2)</sup>(3)</b>		<b>3,006,551</b>	

(1) As of March 31, 2024, the Corporation was authorized to purchase up to \$225 million of the Corporation's common stock under the program that was publicly announced on 2023, which \$125 million had been utilized. The remaining \$100 million in the table represents the remaining amount authorized under the stock repurchase program as of 2024. The program does not obligate the Corporation to acquire any specific number of shares, does not have an expiration date and may be modified, suspended, or terminated at the Corporation's discretion. Under the stock repurchase program, shares may be repurchased through open market purchases, accelerated share repurchases and/or privately negotiated, including under plans complying with Rule 10b5-1 under the Exchange Act.

(2) Includes 3,006,551 shares of common stock repurchased in the open market at an average price of \$16.63 for a total purchase price of approximately \$50 million.

(3) Includes 136,038 shares of common stock acquired by the Corporation to cover minimum tax withholding obligations upon the vesting of equity-based awards. The Corporation intends to continue to satisfy statutory tax withholding obligations in connection with the vesting of outstanding restricted stock and performance units through the withholding of shares.

## ITEM 5. OTHER INFORMATION

During the quarter ended March 31, 2024, none of the Corporation's directors or officers (as defined in Rule Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" "non-Rule 10b5-1 trading arrangement," as those terms are defined in Item 408 of Regulation S-K.

## ITEM 6. EXHIBITS

See the Exhibit Index below, which is incorporated by reference herein:

### EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1*#	<a href="#">First BanCorp Executive Short-Term Incentive Program, as amended on March 16, 2023</a>
31.1	<a href="#">CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 0002</a>
32.2	<a href="#">CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 0002</a>
101.INS	Inline XBRL Instance Document, filed herewith. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document, filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document, filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document, filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document, filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document, filed herewith
104	The cover page of First BanCorp. Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted Inline XBRL (included within the Exhibit 101 attachments)

\* Indicates management contract or compensatory plan or arrangement.

# The exhibits to this agreement have been omitted pursuant to Item 601 (a)(5) of Regulation S-K. A copy of any omitted exhibit will be furnished to the SEC upon request.

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Corporation has duly caused this report to be  
signed by the undersigned hereunto duly authorized:

**First BanCorp.**  
Registrant

Date: May 9, 2024

By: /s/ Aurelio Alemán  
Aurelio Alemán  
President and Chief Executive Officer

Date: May 9, 2024

By: /s/ Orlando Berges  
Orlando Berges  
Executive Vice President and Chief Financial Officer



## **EXHIBIT 10.1**

### **FIRST BANCORP EXECUTIVE SHORT-TERM INCENTIVE PROGRAM**

This document outlines the First BanCorp Executive Short-term Incentive Program (the "Program") by and for First BanCorp

and its subsidiaries, including FirstBank Puerto Rico (the "Bank," and collectively with First BanCorp and all other subsidiaries, the

"Corporation") and the Corporation's executives (the "Participant") approved by the Board of Directors (the "Board") of the

Corporation. The Program has been modified from time to time, with last modification dated March 16, 2023.

#### **1. Purpose**

The purpose of the Program is to reward the performance of the Participant in a manner that is consistent with the Bank's strategic

plan and the attainment of a growing return to the shareholders of the Corporation. The Program is intended to assist the

Corporation in its ability to motivate, attract and retain qualified executives.

#### **2. Effective Date**

The Program, in effect since January 1, 2018 through December 31, 2018, continues to renew for successive year periods (each

calendar year being a "Program Year"), unless otherwise terminated or modified in accordance with the Program and specifically

approved by the Compensation and Benefits Committee (the "Committee") of the Corporation's Board on March 2023, the

Committee approved certain modifications to the Program, effective for the Program Year from January 1, 2023 through December

31, 2023, and onward.

A.

*Corporate Goals*

The Corporate Goals for the Program Year will be recommended by the Chief Executive Officer and a writing by the Committee.

B.

*Individual Goals*

Individual Goals are comprised of two components:

- Individual performance – Quantitative and milestone goals based on the Participant's line or functional area as established in the approved annual budget and specify high level targets included in Participant's scorecard for the year.
- Leadership and Core Competencies – Qualitative assessment of leadership as well as assessment of established core competencies as set forth by the Corporation.

Individual Goals for the Program Year will be recommended by the Chief Executive Officer and a writing by the

Committee.

C.

*Determination of Incentive Compensation Award*

Within the first 90 days following the end of the Program Year, the Corporation will review performance of the

Corporate Goals, certify in writing that the applicable performance goals were satisfied, and determine of the

incentive compensation award, if any, to be paid to each Participant under the Program. For performance threshold

and target or target and maximum levels, the incentive calculation uses straight-line interpolation.

## **8. Administration of the Program**

The Committee is responsible for the oversight, supervision and existence of the Program. The Chief Executive Officer shall monitor

performance and make recommendations to the Committee concerning award opportunities and the

of the Participants' awards under the Program. The Chief Executive Officer has been delegated discretion to interpret the

of the Program, to determine eligibility for benefits, and to calculate the incentive compensation awards under the Program

the exception of matters concerning his or her own eligibility or awards under the Program. The Committee will make

decisions concerning all matters relating to the Chief Executive Officer's award, approve all opportunities, goals and award pa

made to executive officers and approve the aggregate value of opportunities and award payout under the Program. The

Committee, in its discretion,

makes all final determinations including those not herein specifically authorized which may be necessary or desirable for the

effective administration of the Program.

Unless the Committee deems otherwise, awards will not be earned or paid, regardless of Corporate or individual performance, if 1)

any regulatory agency issues a formal, written enforcement action, memorandum of understanding or negative directive

action where the Committee considers it imprudent to provide awards under the Program, 2) after a significant

credit quality measures the Committee considers it imprudent to provide awards under the Program.

Any decision or interpretation of any provision of the Program adopted by the Committee shall be final and conclusive.

## **9. Modification and Termination of Program**

The Program may be modified or terminated at any time by the Committee in its discretion, followed by written notification to the

Participant as soon as reasonably practicable. In the event of a Program termination, the Participant shall

**14. Attorney's Fees and Costs**

The parties agree that in the event of any legal action arising out of or relating to the interpretation or enforcement of the Program,

the Corporation shall be entitled to recover their attorney's fees and costs in the event that the either of them is) the prevailing party.

**15. No Oral or Written Representations**

The parties agree that they have relied on no oral or written representation or promises not set forth herein that the terms of the

Program are set forth solely in the written Program document and it constitutes the complete and entire agreement of the parties

relating to the subject matter hereof.

**16. Banking Regulatory Provision**

All incentive compensation awards under the Program are subject to any condition, limitation or prohibition under any financial

institution regulatory policy or rule to which the Corporation is subject.

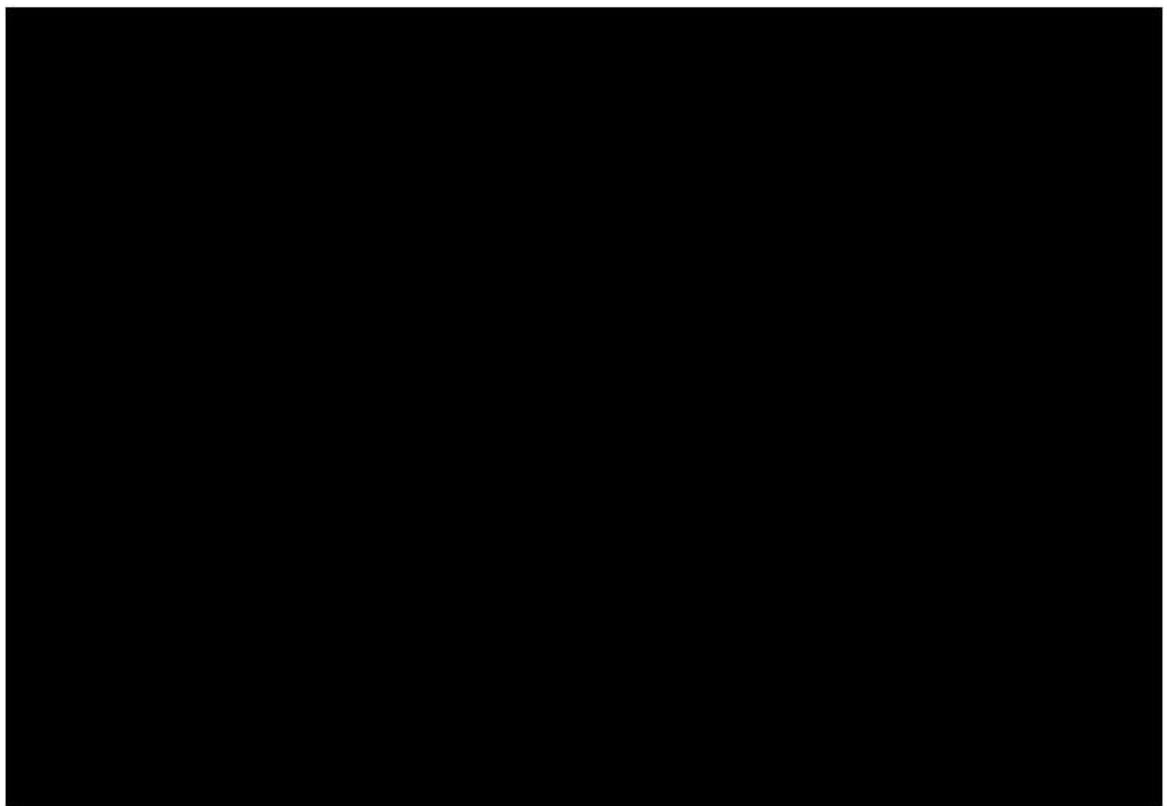
Ratified by the Committee of the Board of First BanCorp on March 16, 2023.

Last Name	First Name	Title	Short-Term Target Incentive Opportunity at	Corp. Metrics Weighting			Individual Assessment
				Corporate Profitability	Asset Quality	Operating Efficiency	

The following is a summary of current Program Participants together with each Participants' opportunities and target level performance

(expressed as a percentage of base salary) and weightings for each performance component. Corporate Metrics weighing is effective for

awards made for the 2023 performance year and onward.



***Exhibit B: Metrics and Calculation***



**EXHIBIT 31.1**

I, Aurelio Alemán, certify that:

1. I have reviewed this Form 10-Q of First BanCorp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that ~~material information relating to the~~ registrant, in its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial information and the controls that are necessary to achieve those objectives.



**EXHIBIT 31.2**

I, Orlando Berges, certify that:

1. I have reviewed this Form 10-Q of First BanCorp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the periodic reports are being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting for the registrant.



**EXHIBIT 32.1**

**CERTIFICATION**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(Subsections (a) and (b) of Section 1350, Chapter 63 Title 18,  
United States Code)**

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Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 Title 18,

United States Code), the undersigned officer of First BanCorp., a Puerto Rico corporation (the "Company"), do hereby certify, to such

officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the "Form 10-Q") of the Company complies

with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q

fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

/s/ Aurelio Alemán

Name: Aurelio Alemán

Title: President and Chief Executive Officer



**EXHIBIT 32.2**

**CERTIFICATION**

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(Subsections (a) and (b) of Section 1350, Chapter 63 Title 18,  
United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 Title 18,

United States Code), the undersigned officer of First BanCorp., a Puerto Rico corporation (the "Company"), do hereby certify, to such

officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the "Form 10-Q") of the Company complies

with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q

fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

/s/ Orlando Berges

Name: Orlando Berges

Title: Executive Vice President and Chief Financial Officer

