CAPITAL PURCHASE PROGRAM (CPP) LENDING REPORT

Name of institution: First BanCorp (UST Seq Num 368)
Person to be contacted about this report: Lawrence Odell (lawrence.odell@firstbankpr.com)
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LENDING ACTIVITY (Thousands $)	2009 FEB	2009 MAR	Key	Comments
1. Loan Balances				
a. Average Consumer Loans	$5,593,148	$5,546,703		Finance Leases are being included in the Average Consumer Loans portfolio
b. Average Commercial Loans (2)	$7,494,079	$7,978,077		Construction and Land Loans are being included in the Commercial Loans portfolio
c. Total Loans (sum of lines a and b)	$13,087,227	$13,524,780		

2. General Market Commentary (optional)

Puerto Rico is living a prolonged recessionary period. This period is estimated to have started in fiscal year 2006 and it has deepened and reached real economic contractions of 1.9 percent and 2.5 percent during fiscal years 2007 and 2008, respectively. The growth deceleration during fiscal year 2008 constitutes the sharpest economic reduction since fiscal year 1983. The economic reality that Puerto Ricans currently live clearly shows a negative trend through indicators such as employment, construction permits, sale of cement and Treasury Department revenues.

The Puerto Rico Planning Board's revision for fiscal year 2008 shows the growth of the Puerto Rico economy slowing down by 2.5 percent. In particular, individual spending turned negative when compared with fiscal year 2007. The spending decreases were sharpest in the area of durable goods, such as automobiles, and services. Puerto Rican consumers experienced steep raises in oil prices and its derivatives during the second half of fiscal year 2008, which produced diminished consumer trends. Also, decreases were registered in government spending, which also had an impact on the deepening of the recession with respect to fiscal year 2007.

The economic projections of the base scenarios point toward 3.4 percent decrease in fiscal year 2009 (ending on June 30, 2009), and another 2 percent contraction in fiscal year 2010. These projections take into account the pace of the monthly economic indicators of the first half of fiscal year 2009, which reflect the continuation of a descending trend in the economy. The economic projections in the base scenarios for fiscal years 2009 and 2010 are consistent with projected contractions in the US economy of 1.4 percent during fiscal year 2009 and 0.5 percent for fiscal year 2010.

According to the Planning Board other factors that will continue affecting Puerto Rico's economy include: consumers' spending will continue to be cautious due mostly to increases in the unemployment rate, which reached 13.1 percent in December 2008.

Estimates show the construction sector will continue to be affected due to: the high level of vacant housing, the reduction in the granting of loans to construction projects and residential mortgages, and a reduction of public investment. Consumer Loans have been affected by a significant downturn in residential mortgage loans applications and lower sales of automobiles and trucks.

In view of the state of the Puerto Rico's economy, as above described, there has been a consequential decrease in the demand for our financial products. This encompasses consumer lending, commercial lending and commercial real estate financing, that includes construction and development loans.