

FIRST BANCORP /PR/
Form DEF 14A
November 14, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
SCHEDULE 14A
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant
 Filed by a Party other than the Registrant
Check the appropriate box:

Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to Section 240.14a-12

FIRST BANCORP.

(Name of Registrant as Specified In Its Charter)

Not Applicable

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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- 2) Aggregate number of securities to which transaction applies:

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- 4) Proposed maximum aggregate value of transaction:

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- 1) Amount Previously Paid:

- 2) Form, Schedule or Registration Statement No.:

- 3) Filing Party:

4) Date Filed:

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1519 PONCE DE LEON AVENUE

SAN JUAN, PUERTO RICO 00908

(787) 729-8200

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of First BanCorp:

NOTICE IS HEREBY GIVEN that, pursuant to a resolution of the Board of Directors and Section 2 of the Corporation's By-laws, the Annual Meeting of Stockholders of First BanCorp will be held at 10:00 a.m., local time, on Friday, December 9, 2011, at the Puerto Rico Convention Center, 100 Convention Blvd., San Juan, Puerto Rico, for the purpose of considering and taking action on the following matters, all of which are more completely set forth in the accompanying Proxy Statement:

1. To elect nine (9) directors, each for a term expiring at the 2012 Annual Meeting of Stockholders.
2. To approve the First BanCorp 2008 Omnibus Incentive Plan, as amended (the "Plan") to increase the amount of shares of common stock, par value \$0.10 per share, reserved for issuance under the Plan, eliminate the restriction on the number of shares available for issuance pursuant to certain awards, increase the maximum number of shares that can underlie certain awards to any individual participant in any fiscal year, and revise certain provisions relating to performance-based awards.
3. To approve a non-binding, advisory proposal on the 2010 compensation of First BanCorp's executives.
4. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our 2011 fiscal year.

In addition, we will consider and take action on such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record as of the close of business on November 4, 2011 are entitled to receive notice of and to vote at the meeting. A list of such stockholders will be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of ten days prior to the meeting, at our principal offices.

You are cordially invited to attend the Annual Meeting. It is important that your shares be represented regardless of the number you own. Even if you plan to be present at the meeting, you are urged to complete, sign, date and promptly return the enclosed proxy in the envelope provided. If you attend the meeting, you may vote either in person or by proxy. You may revoke any proxy that you give in writing or in person at any time prior to its exercise.

By Order of the Board of Directors,

/s/ Lawrence Odell
Lawrence Odell

Secretary

San Juan, Puerto Rico

November 14, 2011

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1519 PONCE DE LEON AVENUE

SAN JUAN, PUERTO RICO 00908

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON DECEMBER 9, 2011

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of First BanCorp (the Corporation) for use at the Annual Meeting of Stockholders to be held at 10:00 a.m., local time, on Friday, December 9, 2011, at the Puerto Rico Convention Center, 100 Convention Blvd., San Juan, Puerto Rico, and at any adjournment thereof (the Annual Meeting). This Proxy Statement and form of proxy are first being sent or given to stockholders of record on or about November 14, 2011. Three individuals will serve as proxies to vote the shares represented at the Annual Meeting. Shares represented by properly executed proxies that are received will be voted at the Annual Meeting in accordance with the instructions specified in the proxies. If you properly submit a proxy but do not give instructions on how you want your shares to be voted, your shares will be voted by the designated proxies in accordance with the Board of Directors recommendations described below.

QUESTIONS AND ANSWERS ABOUT THE MEETING

What information is contained in this Proxy Statement?

The information in this Proxy Statement relates to the proposals to be voted on at the Annual Meeting, the voting process, the Board of Directors of the Corporation (the Board), Board committees, the compensation of directors and executive officers and other required information.

What is the purpose of the Meeting?

At the Annual Meeting, stockholders will act upon the following matters, which are outlined in the accompanying Notice of Meeting:

the election of nine directors;

the approval of the First BanCorp 2008 Omnibus Incentive Plan (the Plan), as amended to (i) increase the amount of shares of common stock, par value \$0.10 per share (the Common Stock) reserved for issuance under the Plan, (ii) eliminate the restriction on the number of shares available for issuance pursuant to certain awards, (iii) increase the maximum number of shares that can underlie options, stock appreciation rights or any award intended to qualify as a qualified performance-based award under Section 162(m) of the U.S. Code granted to any individual participant in any fiscal year, and (iv) revise certain provisions relating to performance-based awards;

the approval of a non-binding, advisory proposal on the 2010 compensation of First BanCorp s executives; and

the appointment of PricewaterhouseCoopers as our independent registered public accounting firm for our 2011 fiscal year.

What should I receive?

You should receive this Proxy Statement, the Notice of Annual Meeting of Stockholders, the proxy card and the Corporation s 2010 annual report with the audited financial statements for the year ended December 31, 2010, duly certified by PricewaterhouseCoopers LLP.

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How many votes do I have?

You will have one vote for every share of Common Stock you owned as of the close of business on November 4, 2011, the record date for the Annual Meeting (the Record Date).

If I am a holder of shares of Common Stock, but I did not hold my shares of Common Stock as of the Record Date, am I entitled to vote?

No. If you were not a record or beneficial holder of shares of Common Stock as of the Record Date, you will not be entitled to vote on the proposals.

How many shares of stock are outstanding?

On the Record Date, 204,245,196 shares of Common Stock were outstanding.

How many votes must be present to hold the Meeting?

Holders of a majority of the outstanding shares of Common Stock must be present either in person or by proxy to enable us to conduct business at the Annual Meeting. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the Annual Meeting for purposes of determining whether holders of a majority of the outstanding shares of Common Stock are present. A broker non-vote occurs when a broker or other nominee has not received voting instructions from the beneficial owner and the broker or other nominee does not have discretionary authority to vote on a particular matter. **We urge you to vote by proxy even if you plan to attend the Annual Meeting so that we will know as soon as possible that enough votes will be present for us to conduct business at the Annual Meeting.**

Votes cast by proxy or in person at the Annual Meeting will be counted by Broadridge Financial Solutions, an independent third party.

What vote is required and how are abstentions and broker non-votes treated?

To be elected, directors must receive the affirmative vote of a majority of the shares represented in person or by proxy at the meeting and entitled to vote on the election of directors. Abstentions will have the same effect as votes cast AGAINST and broker non-votes will not be counted in determining the number of shares necessary for approval.

As to the approval of amendments to the Plan to increase the number of shares of Common Stock reserved for issuance under the Plan and to revise certain other provisions, a majority of votes cast on the proposal is required, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. As to approval of the advisory vote related to executive compensation and the ratification of the independent registered public accounting firm, the affirmative vote of a majority of the shares represented in person or by proxy and entitled to vote will be required for approval. Abstentions will have the same effect as votes cast AGAINST the proposals and broker non-votes will not be counted in determining the number of shares necessary for approval.

Can my broker vote my shares on the election of directors?

No. Brokers do not have discretionary authority to vote shares on the election of directors. You must instruct your broker how to vote your shares so that your vote can be counted.

How does the Board recommend that I vote?

The following is the Board's recommendation with respect to each of the items to be considered and voted upon at the Annual Meeting:

Proposal No. 1 The Board recommends a vote FOR each nominee to the Board;

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Proposal No. 2 The Board recommends a vote FOR the approval of the Plan, as amended to (i) increase the number of shares of Common Stock reserved for issuance under the Plan, (ii) eliminate the restriction on the number of shares available for issuance pursuant to certain awards, (iii) increase the maximum number of shares that can underlie certain awards granted to any individual participant in any fiscal year, and (iv) revise certain provisions relating to performance-based awards;

Proposal No. 3 The Board recommends a vote FOR the 2010 executive compensation; and

Proposal No. 4 The Board recommends a vote FOR the ratification of the Corporation's independent registered public accounting firm for the 2011 fiscal year.

How do I vote?

If you are a stockholder of record, you may vote by proxy without attending the Annual Meeting by:

completing the enclosed proxy card, signing, dating, and returning it in the enclosed postage-paid envelope;

voting by telephone (instructions are on the proxy card); or

voting via the Internet (instructions are on the proxy card).

Internet and telephone voting is available until 11:59 PM Eastern Time on December 8, 2011. Please refer to the specific instructions set forth on the enclosed proxy card for additional information on how to vote. For security reasons, our electronic voting system has been designed to authenticate your identity as a stockholder.

If you hold your shares in street name (i.e., your shares are held of record by a broker, bank, trustee or other nominee), your broker, bank, trustee or other nominee will provide you with materials and instructions for voting your shares.

Can I vote my shares in person at the Annual Meeting?

If you are a stockholder of record, you may vote your shares in person at the Annual Meeting. If you hold your shares in street name, you must obtain a valid, legal proxy from your broker, banker, trustee or nominee, giving you the right to vote your shares at the Annual Meeting.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Stockholder of Record. If your shares are registered in your name with our transfer agent, The Bank of New York Mellon Shareowner Services, LLC, you are considered the stockholder of record with respect to those shares, and these proxy materials are being sent directly to you. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to vote via the Internet, by telephone, or by completing, signing, dating and returning the enclosed proxy card.

Beneficial Owner. If your shares are held by a broker, bank, trustee or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker, bank, trustee or other nominee, who is considered the stockholder of record with respect to those shares. As a beneficial owner, you have the right to instruct your broker, bank, trustee or other nominee on how to vote the shares held in your account, and it will inform you how to instruct it to vote your shares. The organization that holds your shares, however, is considered the stockholder of record for purposes of voting at the Annual Meeting. As noted above, if you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid, legal proxy from your broker, bank, trustee or other nominee giving you the right to vote your shares at the Annual Meeting. The organization that holds your shares cannot vote your shares without your instructions on Proposals No. 1, No. 2, and No. 3, so it is important that you instruct your nominee how to vote your shares.

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Who will bear the costs of soliciting proxies for the Annual Meeting?

We will bear the cost of soliciting proxies for the Annual Meeting. In addition to solicitation by mail, proxies may be solicited personally, by telephone or otherwise. The Board has engaged Broadridge Financial Solutions to aid in the solicitation of proxies. The cost is estimated at \$8,000, plus reimbursement of reasonable out-of-pocket expenses. Our directors, officers and employees may also solicit proxies but will not receive any additional compensation for their services. Proxies and proxy materials will also be distributed at our expense by brokers, nominees, custodians and other similar parties.

Can I change my vote?

Yes. If you are a stockholder of record, you may revoke your proxy at any time before it is exercised by sending in a new proxy card with a later date, or casting a new vote by telephone or over the Internet, or sending a written notice of revocation to the President or Secretary of First BanCorp, at P.O. Box 9146, San Juan, Puerto Rico 00908-0146, that is delivered before the proxy is exercised. Internet and telephone voting is available until 11:59 PM Eastern Time on December 8, 2011. If you attend the Annual Meeting and vote in person, your previously submitted proxy will not be used. If your shares are held in the name of a broker, bank or other holder of record, that institution will instruct you as to how your vote may be changed.

What should I do if I receive more than one set of voting materials?

Please complete, sign, date and return each proxy card or voting instruction card that you receive. You may receive more than one set of voting materials, including multiple copies of this Proxy Statement and multiple proxy cards. For example, if you hold your shares in more than one brokerage account, you may receive a voting instruction card for each brokerage account in which you hold shares.

Could other matters be decided at the Annual Meeting?

The Board does not intend to present any business at the Annual Meeting other than that described in the Notice of Annual Meeting of Stockholders. The Board at this time knows of no other matters that may come before the Annual Meeting and the Chairman of the Annual Meeting will declare out of order and disregard any matter not properly presented. However, if any new matter requiring the vote of the stockholders is properly presented before the Annual Meeting, proxies may be voted with respect thereto in accordance with the best judgment of the proxy holders, under the discretionary power granted by stockholders in their proxies in connection with general matters.

What happens to my vote if the Annual Meeting is postponed or adjourned?

Your proxy will still be valid and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is exercised.

Who can help answer my questions?

You should contact Lawrence Odell, Secretary of the Board, by e-mail at lawrence.odell@firstbankpr.com or by telephone at 787-729-8109 if you have any questions about how to vote or need copies of our filings.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON DECEMBER 9, 2011

This Proxy Statement and the 2010 annual report to stockholders are available at <https://materials.proxyvote.com/318672>. You may obtain directions regarding how to attend the Annual Meeting and vote in person by contacting Lawrence Odell, Secretary of the Board, by e-mail at lawrence.odell@firstbankpr.com or by telephone at 787-729-8109.

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The following tables set forth certain information as of November 7, 2011, unless otherwise specified, with respect to shares of our Common Stock beneficially owned by: (1) each person known to us to be the beneficial owner of more than 5% of our Common Stock; (2) each director, each director nominee and each executive officer named in the Summary Compensation Table in this Proxy Statement (the "Named Executives"); and (3) all directors and executive officers as a group. This information has been provided by each of the directors and executive officers at our request or derived from statements filed with the SEC pursuant to Section 13(d) or 13(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Beneficial ownership of securities means the possession, directly or indirectly, through any formal or informal arrangement, either individually or in a group, of voting power (which includes the power to vote, or to direct the voting of, such security) and/or investment power (which includes the power to dispose of, or to direct the disposition of, such security). As of November 7, 2011, directors and executive officers of the Corporation did not own shares of the Corporation's preferred stock because they participated in the Corporation's preferred stock exchange pursuant to which they received Common Stock in exchange for shares of preferred stock. The Corporation does not have knowledge of any current beneficial owner of more than 5% of the Corporation's preferred stock. Unless otherwise indicated, to the Corporation's knowledge the beneficial owner has sole voting and dispositive power over the shares.

(1) Beneficial Owners of More Than 5% of our Common Stock:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(a)
Thomas H. Lee Advisors (Alternative), VI, Ltd. c/o Walkers Corporate Services Limited Walker House, 87 Mary Street Gargetown, E9, KY1-9001	50,684,485(b)	24.82%
Entities affiliated with Oaktree Principal Fund V (Delaware), L.P. and Oaktree FF Investment Fund AIF (Delaware), L.P. c/o Oaktree Capital Management, L.P. 333 South Grand Avenue, 28th Floor Los Angeles, CA 90071	50,684,485(c)	24.82%
Wellington Management Company, LLP. c/o Wellington Management Company, LLP 280 Congress Street Boston, MA 002210	20,220,300(d)	9.90%
United States Department of the Treasury 1500 Pennsylvania Avenue Northwest Washington D.C., District of Columbia 20229	34,227,696(e)	16.65%

(a) Based on 204,245,196 shares of Common Stock outstanding as of November 7, 2011.

(b) Based on a Schedule 13D filed with the SEC on October 17, 2011 and a Form 4 filed on October 14, 2011, Thomas H. Lee Advisors (Alternative) VI, Ltd. has shared voting and dispositive power with respect to 50,684,485 shares of Common Stock; Thomas H. Lee (Alternative) Fund VI, L.P. has shared voting and dispositive power with respect to 27,873,153 shares; Thomas H. Lee (Alternative) Parallel Fund VI, L.P. has shared voting and dispositive power with respect to 18,874,216 shares; Thomas H. Lee (Alternative) Parallel (DT) Fund VI, L.P. has shared voting and dispositive power with respect to 3,296,946 shares; and THL FBC Equity Investors, L.P. has shared voting and dispositive power with respect to 640,170 shares.

(c) Based on Form 4s filed on October 28, 2011 and a Schedule 13D filed with the SEC on October 17, 2011, by each of Oaktree Principal Fund V (Delaware), L.P. (the "PF V Fund"), Oaktree FF Investment Fund AIF (Delaware), L.P. (the "AIF Fund") and, together with the PF V

Fund, the Oaktree Funds or Oaktree),

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Oaktree Capital Group Holdings GP, LLC (OCGH GP), in its capacity as the general partner of Oaktree Capital Group Holdings, L.P. (OCGH LP), OCGH LP, in its capacity as the majority holder of the voting units of Oaktree Capital Group, LLC (OCG) and the controlling shareholder of Oaktree AIF Holdings, Inc. (Oaktree AIF Holdings), OCG, in its capacity as managing member of Oaktree Holdings, LLC (Oaktree Holdings), Oaktree Holdings, in its capacity as managing member of OCM Holdings I, LLC (Oaktree Holdings I), Oaktree Holdings I, in its capacity as general partner of Oaktree Capital I, L.P. (Oaktree Capital I), Oaktree Capital I, in its capacity as general partner of Oaktree Fund GP I, L.P. (Oaktree Fund GP I), Oaktree Fund GP I, in its capacity as managing member of Oaktree Fund GP, LLC (Oaktree Fund GP), Oaktree Fund GP, in its capacity as general partner of the PF V Fund, Oaktree AIF Holdings, in its capacity as general partner of Oaktree AIF Investments, L.P. (Oaktree AIF Investments), Oaktree AIF Investments, in its capacity as general partner of Oaktree Fund GP III, L.P. (Oaktree GP III), Oaktree GP III, in its capacity as sole member of Oaktree Fund GP AIF, LLC (Oaktree GP AIF), Oaktree GP AIF, in its capacity as general partner of Oaktree Fund AIF Series, L.P. Series I (Oaktree AIF and, together with OCGH GP, OCGH LP, OCG, Oaktree Holdings, Oaktree Holdings I, Oaktree Capital I, Oaktree Fund GP I, Oaktree Fund GP, Oaktree AIF Holdings, Oaktree AIF Investments, Oaktree GP III and Oaktree GP AIF, collectively, the Oaktree Entities), and Oaktree AIF, in its capacity as general partner of the AIF Fund, the reporting persons may be deemed to beneficially own the 41,931,274 shares of Common Stock directly owned by the PF V Fund and/or the 8,753,211 shares of Common Stock directly owned by the AIF Fund. Each Oaktree Entity disclaims beneficial ownership of all shares reported herein except to the extent of their respective pecuniary interest therein.

- (d) On October 7, 2011, the Corporation issued 20,220,300 shares of Common Stock to several institutional investors advised by Wellington Management Company, L.L.P. (Wellington), including Ithan Creek Investors II USB, LLC; Bay Pond Partners, L.P.; Bay Pond Investors USB, LLC; Ithan Creek Investors USB, LLC; Wolf Creek Partners, L.P.; and Wolf Creek Investors USB, LLP. Wellington is an investment adviser registered under the Investment Advisers Act of 1940, as amended, and, in such capacity, may be deemed to share beneficial ownership over the shares held by its client accounts.
- (e) On October 7, 2011, the Corporation issued 32,941,797 shares of Common Stock to the United States Department of the Treasury (the U.S. Treasury) upon conversion of all of the Corporation's outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series G. The U.S. Treasury has sole dispositive and voting power over its shares but may vote the shares only in accordance with the terms of the Exchange Agreement. In addition, the U.S. Treasury has a warrant that entitles it to purchase up to 1,285,899 shares of Common Stock at an exercise price of \$3.29 per share, as adjusted as a result of the issuance of shares of Common Stock in the Corporation's recently completed \$525 million private placement of Common Stock (the Capital Raise). The exercise price and the number of shares issuable upon exercise of the warrant are subject to further adjustments under certain circumstances to prevent dilution. The warrant has a 10-year term from its issue date and is exercisable in whole or in part at any time.

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Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(a)	Percent of Class
Directors and Director Nominees		
Aurelio Alemán-Bermúdez, President & Chief Executive Officer	52,933	*
Michael P. Harmon	50,684,485(b)	24.82%
Roberto R. Herencia, Chairman of the Board	13,272	
José Menéndez-Cortada	10,827	*
Héctor M. Nevares-La Costa	449,014(c)	*
Fernando Rodríguez-Amaro	2,146	*
José F. Rodríguez-Perelló	40,268	*
Sharee Ann Umpierre-Catinchi	76,913(d)	*
Director Nominee		
Thomas M. Hagerty, subject to regulatory approval	(e)	*
Executive Officers		
Victor Barreras-Pellegrini, Treasurer & Senior Vce President	4,666	*
Orlando Berges-González, Executive Vice President & Chief Financial Officer	666	*
Calixto García-Vélez, Executive Vice President		
Lawrence Odell, Executive Vice President, General Counsel & Secretary	14,999	*
All current directors, Executive Officers and the Chief Accounting Officer as a group (19 persons as a group)	51,389,985	25.15%

* Less than 1% of our outstanding Common Stock.

(a) For purposes of this table, beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, pursuant to which a person or group of persons is deemed to have beneficial ownership of a security if that person has the right to acquire beneficial ownership of such security within 60 days. Therefore, it includes the number of shares of Common Stock that could be purchased by exercising stock options that were exercisable on November 7, 2011 or within 60 days after that date, as follows: Mr. Alemán-Bermúdez, 39,600; Mr. Odell, 11,666; and Mr. Barreras-Pellegrini, 4,666; and all current directors and executive officers as a group, 81,860. Also, it includes shares granted under the First BanCorp 2008 Omnibus Incentive Plan, subject to transferability restrictions and/or forfeiture upon failure to meet vesting conditions, as follows: Mr. Menéndez-Cortada, 268; Dr. Umpierre-Catinchi, 268; Mr. Rodríguez-Amaro, 268; Mr. Nevares-LaCosta, 268; and Mr. Rodríguez-Perelló, 268. These amounts do not include shares of Common Stock represented by units in a unitized stock fund under our Defined Contribution Plan.

(b) Mr. Harmon is the Board representative for Oaktree, which currently owns 24.82% of our Common Stock. See Beneficial Owners of More Than 5% of our Common Stock for information concerning Oaktree's ownership.

(c) This amount includes 283,272 shares owned by Mr. Nevares-LaCosta's father over which Mr. Nevares-LaCosta has voting and investment power as attorney-in-fact.

(d) This amount includes 600 shares owned jointly with her spouse.

- (e) Mr. Hagerty will be, subject to regulatory approval, the Board representative for Thomas H. Lee Partners, L.P. and its affiliates (THL), which currently own 24.82% of our Common Stock. See Beneficial Owners of More Than 5% of our Common Stock for information concerning THL s ownership.

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INFORMATION WITH RESPECT TO NOMINEES STANDING FOR ELECTION AS DIRECTORS AND WITH RESPECT TO EXECUTIVE OFFICERS OF THE CORPORATION

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The composition of our Board changed in the following respects during 2011:

effective September 30, 2011, Jorge Díaz-Irizarry resigned from the Board;

effective October 7, 2011, José Ferrer-Canals and Frank Kolodziej-Castro also resigned from the Board;

effective October 24, 2011, Roberto R. Herencia became non-executive Chairman of the Board pursuant to a requirement in the investment agreements entered into with THL and Oaktree. Our Chief Executive Officer recommended Mr. Herencia for consideration as the new non-executive chairman of the Board;

Oaktree designated Michael P. Harmon to be a director on our Board pursuant to its investment agreement, and the Board appointed him as a director on October 27, 2011; and

THL designated Thomas M. Hagerty to be a director on our Board pursuant to its investment agreement, and the Board appointed him as a director on October 27, 2011, subject to regulatory approval.

The rights of each of THL and Oaktree to designate a person to serve on the Board will remain in effect as long as it owns at least 25% or more of the shares of Common Stock it currently owns. Although Mr. Hagerty has not yet received regulatory approval to be a director on our Board, stockholders are being asked to vote on his election to the Board, subject to such approval.

Our By-laws provide that the Board will consist of a number of members fixed from time to time by resolution of a majority of the Board, provided that the number of directors is always an odd number and not less than five nor more than fifteen. Effective October 27, 2011, the Board fixed the size of the Board at nine members. In accordance with our Restated Articles of Incorporation and By-laws, director nominees stand for election annually. A director is elected by the stockholders for a one-year term and serves until his or her successor is elected and qualified. If stockholders do not elect a nominee who is serving as a director, Puerto Rico corporation law provides that the director would continue to serve on the Board as a holdover director. Under our By-laws, an incumbent director who is not elected by a majority of the votes present in person or by proxy must tender his or her resignation to the Board promptly following certification of the stockholder vote. The Board must act on the tendered resignation within 90 days following certification of the stockholder vote and must elect a new director by an affirmative vote of the majority of the Board to fill the vacancy until the next election of directors by stockholders.

Our retirement policy for the Board states that directors who reach the age of 70 may continue to serve until the end of the term to which they were elected, but will not be eligible to stand for re-election.

Unless otherwise directed, each proxy executed and returned by a stockholder will be voted FOR the election of the nominees listed below. If any nominee should be unable or unwilling to stand for election at the time of the Annual Meeting, the proxies will nominate and vote for the replacement nominee or nominees as the Board may propose. At this time, the Board knows of no reason why any of the persons listed below may not be able to serve as a director if elected. On October 27, 2011, the Board nominated current Directors Roberto R. Herencia, Aurelio Alemán, Michael P. Harmon, José Menéndez-Cortada, Hector Nevares-LaCosta, Fernando Rodríguez-Amaro, José Rodríguez-Perelló and Sharee Ann Umpierre-Catinchi to serve terms ending at the 2012 annual meeting of stockholders, and when their respective successors have been duly elected and qualified. In addition, the Board nominated, subject to regulatory approval, Thomas M. Hagerty to serve a term ending at the 2012 annual meeting or until his successor has been duly elected and qualified.

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The members of the Board are also the members of the Board of Directors of FirstBank Puerto Rico (FirstBank or the Bank). The information presented below regarding the time of service on the Board includes terms concurrently served on the Board of Directors of the Bank.

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Director Qualifications

Each director nominee has the qualifications and experience to focus on the complex issues confronting us and the financial industry. The nominees are leaders in business, finance, accounting and academia because of their intellectual acumen and analytic skills, strategic vision, ability to lead and inspire others to work with them, and records of outstanding accomplishments. Each has been chosen to stand for election in part because of his or her ability and willingness to ask difficult questions, understand our unique challenges and evaluate the strategies proposed by management and, when applicable, oversee their implementation.

Each of the nominees has a long record of professional integrity, dedication to his or her profession and community, a strong work ethic that includes coming fully prepared to meetings and fulfilling professional obligations, the ability to maintain a collegial environment, and the experience of having served as a director of the Corporation or other companies.

In evaluating the composition of the Board, the Corporate Governance and Nominating Committee seeks to find and retain individuals who, in addition to having the qualifications set forth in our Corporate Governance Guidelines and Principles, have the skills, experience and abilities necessary to oversee our operations in the corporate and consumer businesses within Puerto Rico, the United States and the United States and British Virgin Islands. This Committee has determined that it is critically important to our proper operation and success that our Board has expertise and experience in the following areas:

Leadership: Experience in significant leadership positions over an extended period, especially CEO positions. Directors with that experience generally provide the Corporation with special insights and possess extraordinary leadership qualities and the ability to identify and develop those qualities in others. They demonstrate a practical understanding of organizations, processes, strategy, risk management and the methods to drive change and growth. Through their service as top leaders at other organizations, they also have access to important sources of market intelligence, analysis and relationships that benefit the Corporation.

Financial Services Industry: Financial services backgrounds in light of the fact that the Corporation is a diversified banking company whose businesses provide a broad range of financial services to consumer and corporate customers.

Risk Management: Risk expertise to assist the Corporation in ensuring that it is properly identifying, measuring, monitoring, reporting, analyzing and controlling or mitigating risk. Risk management is a critical function of a financial services company and its proper supervision requires directors with sophisticated risk management skills and experience. Directors provide oversight of the company's risk management framework, including the significant policies, procedures and practices used in managing credit, market and certain other risks, and review recommendations by management regarding risk mitigation.

Regulatory Compliance: Experience serving at, or interacting with, regulators, or operating businesses subject to extensive regulation, in order to ensure our continued compliance with the many applicable regulatory requirements and ensure ongoing effective relationships with our regulators. The Corporation and its subsidiaries are regulated and supervised by numerous regulatory agencies, both domestically and federally, including the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Commissioner of Financial Institutions of the Commonwealth of Puerto Rico and other local banking and insurance authorities.

Consumer Business: Extensive consumer experience to assist the Corporation in evaluating its business model and strategies for reaching and servicing its retail customers. The Corporation provides services to retail customers in connection with its retail banking, consumer finance, real estate lending, personal loans, auto loans, small and middle market commercial banking and other financial services businesses.

Corporate Business: A depth of understanding of and experience with complex business structures and transactions so as to enhance the Corporation's provision of a variety of services to its corporate clients including, financial restructurings, loans and cash management.

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Financial Reporting: Direct or supervisory experience in the preparation of financial statements, as well as finance and accounting expertise. While the Board and its committees are not responsible for preparing our financial statements, they have oversight responsibility, including the selection of outside independent auditors.

Legal Matters: Experience with complying with regulatory requirements as well as understanding complex litigation and litigation strategies. Our Board has an important oversight function with respect to compliance with applicable requirements, monitors legal proceedings and evaluates major settlements.

Nominees Standing for Election as Directors for Terms Expiring at the 2012 Annual Meeting

Aurelio Alemán-Bermúdez, 52

President and Chief Executive Officer

President and Chief Executive Officer since September 2009. Director of First BanCorp and FirstBank Puerto Rico since September 2005. Chairman of the Board of Directors and CEO of First Federal Finance Corporation d/b/a Money Express, FirstMortgage, Inc., FirstExpress, Inc., FirstBank Puerto Rico Securities Corp., and First Management of Puerto Rico, and CEO of FirstBank Insurance Agency, Inc. and First Resolution Company. Senior Executive Vice President and Chief Operating Officer of First BanCorp from October 2005 to September 2009. Executive Vice President responsible for consumer banking and auto financing of FirstBank between 1998 and 2009. From April 2005 to September 2009, also responsible for the retail banking distribution network, First Mortgage and FirstBank Virgin Islands operations. President of First Federal Finance Corporation d/b/a Money Express from 2000 to 2005. President of FirstBank Insurance Agency, Inc. from 2001 to 2005. President of First Leasing & Rental Corp. from 1999 to June 2007. From 1996 to 1998, Vice President of CitiBank, N.A., responsible for wholesale and retail automobile financing and retail mortgage business. Vice President of Chase Manhattan Bank, N.A., responsible for banking operations and technology for Puerto Rico and the Eastern Caribbean region from 1990 to 1996.

Director Qualifications:

Role as President of many of the Corporation's subsidiaries, including First Federal Finance Corporation d/b/a Money Express, FirstBank Insurance Agency, Inc. and First Leasing & Rental Corp. and Chief Operating Officer of First BanCorp has provided him extensive experience in the financial industry.

Roles as Chairman of the Board of Directors and CEO of First Leasing and Rental Corporation, First Federal Finance Corporation d/b/a Money Express, FirstMortgage, Inc., FirstBank Overseas Corp., First Insurance Agency, Inc., FirstExpress, Inc., FirstBank Puerto Rico Securities Corp., and First Management of Puerto Rico, and CEO of FirstBank Insurance Agency, Inc., Grupo Empresas Servicios Financieros, First Trade, Inc. and First Resolution Company and member of the Board of Directors of First BanCorp provide him leadership experience.

Over 31 years of experience in the financial services industry has given him a comprehensive understanding of the industry. In his role as Chief Operating Officer of First BanCorp, and his prior experience as Vice President of CitiBank, N.A. and Chase Manhattan Bank, N.A., Mr. Alemán has gained extensive experience with financial services, consumer business, corporate business issues, risk management, operations and technology.

Thomas M. Hagerty, 48

A managing director with Thomas H. Lee Partners, L.P. and its predecessor Thomas H. Lee Company, a private investment firm, since 1992 and with the firm since 1988. Previously in the Mergers and Acquisitions Department of Morgan Stanley & Co. Incorporated. Director also of Ceridian Corporation, Fidelity National Financial, Inc., Fidelity National Information Services, Inc. and MoneyGram International, Inc. In an attempt to preserve the value of an investment in Consecro, Inc. by an affiliate of THL, Mr. Hagerty served as the interim chief financial officer of Consecro from July 2000 until April 2001. In December 2002, Consecro filed a petition under the federal bankruptcy code.

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Director Qualifications:

More than 20 years of finance, banking and managerial experience and expertise in evaluating companies' strategies, operations and risks gained through his work in investment banking will enable him to provide the Board with valuable insights.

His service as a director at several public companies throughout the years has provided him with leadership experience and valuable insights and perspectives on the challenges facing public companies and particularly financial institutions.

Risk management expertise obtained as a managing director at THL provides him valuable insights regarding the investment industry.

Michael P. Harmon, 42

A managing director with the Principal Group of Oaktree Capital Management L.P., a registered investment advisor and affiliate of Oaktree Group, where he has been responsible for sourcing, evaluating and managing private equity investments since 1997. Prior to this, positions in the Corporate Recovery Consulting group of Price Waterhouse and the Distressed Credits group at Society Corporation. Director of SKBHC Holdings, LLC, American West Bank, Starbuck Bancorp, AloStar Bancorp, Alliance Healthcare Services, Novis Pharmaceuticals, LLC and Senior Home Care.

Director Qualifications:

Experience with financial services companies and risk management expertise obtained as a managing director at Oaktree analyzing and monitoring substantial investment positions gained through his work in private equity will enable him to provide the Board with valuable insights.

Service as a director at several public companies throughout the years has provided him with leadership experience and valuable insights and perspectives on the challenges facing public companies and particularly financial institutions that will be of benefit to the Board.

Roberto R. Herencia, 51

President and CEO of BXM Holdings, a fund specializing in community bank investments. Independent director of SKBHC Holdings, a bank holding company, and its subsidiary banks AmericanWest Bank and First National Bank of Starbuck. Between 2009 and 2010, President and CEO of Midwest Banc Holdings Inc. and Midwest Bank and Trust. Previously, spent 17 years with Popular Inc. as its Executive Vice President and as President of Banco Popular North America.

Director Qualifications:

Experience with financial services companies will provide the Board with valuable insights.

Corporate business knowledge, leadership abilities and risk management capabilities obtained from experience as President and CEO enhances the Board's understanding of the responsibilities and challenges of public companies.

José Menéndez-Cortada, 64

Director and Vice President at Martínez-Alvarez, Menéndez-Cortada & Lefranc-Romero, PSC, (a full service firm specializing in Commercial, Real Estate and Construction Law) in charge of the corporate and tax divisions until 2009; joined the firm in 1977. Tax Manager at PriceWaterhouse Coopers, LLP until 1976. Counsel to the Board of Bermudez & Longo, S.E. since 1985, director of Tasis Dorado School since

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2002, director of the Homebuilders Association of Puerto Rico since 2002, trustee of the Luis A. Ferré Foundation, Inc. (Ponce Art Museum) since 2002 and co-chairman of the audit committee of that foundation since 2009. Director of the Corporation since April 2004. Served as Chairman of the Board from September 2009 to October 2011. Served as Lead Independent Director from February 2006 to September 2009.

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Director Qualifications:

Leadership and director experience attained from having held multiple positions, including Director of the Homebuilders Association of Puerto Rico, trustee of the Luis A. Ferre Foundation, Inc., Chairman of the USO for the Caribbean and Lead Independent Director of First BanCorp, assists the Board with its oversight responsibilities.

Extensive legal, taxation, accounting and business acumen obtained from positions held at Martínez-Alvarez, Menéndez-Cortada & Lefranc-Romero, PSC, Price Waterhouse LLP and Bermudez & Longo, S.E. enhances the Board's understanding of complex legal, tax, accounting and business issues.

Knowledge of the construction and development industry obtained as Director of the Homebuilders Association and Bermudez & Longo, S.E. and as partner at Martínez-Alvarez, Menéndez-Cortada & Lefranc-Romero, PSC provides valuable insight regarding the construction industry.

Audit committee experience acquired from serving as trustee and co-chairman of the Audit Committee of the Luis A. Ferré Foundation, Inc. (Ponce Museum) enhances the oversight role played by the Corporation's audit committee.

Héctor M. Nevares-La Costa, 61

President and CEO of Suiza Dairy from 1982 to 1998. Served in additional executive capacities since 1973. Member of the Board of Directors of Dean Foods Co. since 1995, where he also serves on the Audit Committee. Board member of V. Suarez & Co., a local food distributor, and Suiza Realty SE, a local housing developer. Served on the boards of The Government Development Bank for Puerto Rico (1989-1993) and Indulac (1982-2002). In the non-profit sector, he is a Board member of Caribbean Preparatory School and Corporación para el Desarrollo de la Península de Cantera. Served on the Board of Directors of FirstBank from 1993 to 2002 and has been a Director of the Corporation since July 2007.

Director Qualifications:

Experience on boards and audit committees including serving on the boards of the Government Development Bank for Puerto Rico, V. Suarez & Co., and Suiza Realty SE, Indulac and publicly-held Dean Foods, provides valuable insights on corporate governance, including audit committee responsibilities.

Corporate business knowledge, leadership abilities and risk management capabilities obtained from experience as President and CEO of Suiza Dairy enhances the Board's understanding of the responsibilities and challenges of public companies.

Insight into the financial and housing development industries and challenges facing other businesses obtained from positions held at Government Development Bank for Puerto Rico, V. Suarez & Co., Suiza Realty SE, Indulac and Dean Foods enhances the Board's understanding of the business environment.

Fernando Rodríguez-Amaro, 63

Managing Partner and Partner in the Audit and Accounting Division of RSM ROC & Company since 1980, and prior thereto, Audit Manager with Arthur Andersen & Co. from June 1971 to October 1980. Worked with clients in the banking, insurance, manufacturing, construction, government, advertising, radio broadcasting and services industries. Certified Public Accountant, Certified Fraud Examiner and Certified Valuation Analyst, and certified in Financial Forensics. Member of the Board of Trustees of Sacred Heart University of Puerto Rico since August 2003, serving as member of the Executive Committee and Chairman of the Audit Committee since 2004. Member of the Board of Trustees of Colegio Puertorriqueño de Niñas since 1996, and also as a member of the Board of Directors from 1998 to 2004 and, since late 2008.

Director of the Corporation since November 2005.

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Director Qualifications:

Extensive background in accounting, audit, fraud examination and financial forensics obtained over 38 years provides the Board with a comprehensive understanding of financial matters.

Extensive experience in financial reporting, regulatory compliance and risk management gained as the managing partner and partner in charge of the audit and accounting division of RSM ROC & Company and audit manager with Arthur Andersen & Co. enhances the Board's understanding of accounting, financial reporting and risk management.

Knowledge of multiple industries, including banking, insurance, manufacturing, construction, government, advertising, radio broadcasting and services industries, obtained from clients served at Arthur Andersen and RSM ROC & Company assists the Board in understanding business challenges.

Leadership experience obtained from director positions held in not-for-profits including the Sacred Heart University of Puerto Rico, Colegio Puertorriqueño de Niñas and Proyecto de Niños de Nueva Esperanza assists the Board with its oversight functions.

José F. Rodríguez-Perelló, 62

President of L&R Investments, Inc., a privately owned local investment company, from May 2005 to present. Vice-Chairman and member of the Board of Directors of the Government Development Bank for Puerto Rico from March 2005 to December 2006. Member of the Board of Directors of Fundación Chana & Samuel Levis from 1998 to 2007. Partner, Executive Vice-president and member of the Board of Directors of Ledesma & Rodríguez Insurance Group, Inc. from 1990 to 2005. President of Prudential Bache PR, Inc., a wholly-owned subsidiary of Prudential Bache Group, from 1980 to 1990. Director of the Corporation since July 2007.

Director Qualifications:

Extensive background in the financial industry, having held key posts at the Government Development Bank for Puerto Rico and Prudential Bache, PR, Inc. enhances the Board's analysis of the challenges facing the financial industry.

Leadership experience attained over 30 years as President of Prudential Bache PR, Inc., partner at Ledesma & Rodríguez Insurance Group, Inc. and Vice-Chairman of the Government Development Bank for Puerto Rico assists the Board with its oversight functions.

Outside board experience for approximately 20 years, serving on the boards of Ledesma & Rodríguez Insurance Group, Inc. and the Government Development Bank for Puerto Rico, provides the Board valuable perspectives on corporate governance matters.

Sharee Ann Umpierre-Catinchi, 52

Doctor of Medicine. Associate Professor at the University of Puerto Rico's Department of Obstetrics and Gynecology since 1993. Director of the Division of Gynecologic Oncology of the University of Puerto Rico's School of Medicine since 1993. Board Certified by the National Board of Medical Examiners, American Board of Obstetrics and Gynecology and the American Board of Obstetrics and Gynecology, Division of Gynecologic Oncology. Director of the Corporation since 2003.

Director Qualifications:

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Leadership experience obtained from position as Director of the Division of Gynecologic Oncology of the University of Puerto Rico's School of Medicine and Director at First BanCorp assists the Board with its oversight responsibilities.

Academic acumen acquired as Associate Professor at the University of Puerto Rico's Department of Obstetrics and Gynecology enhances the Board's analytical role.

Experience in the financial industry as Director of First BanCorp for eight years assists the Board in understanding and addressing the challenges facing the Corporation.

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Required Vote

To be elected, each director must receive the affirmative vote of a majority of the votes of the stockholders represented in person or by proxy at the meeting and entitled to vote on the election of directors.

Recommendation of the Board of Directors

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH DIRECTOR NOMINEE.

Information About Executive Officers Who Are Not Directors

The executive officers of the Corporation and FirstBank who are not directors are listed below. The Corporation's By-laws provide that each officer shall be elected annually at the first meeting of the Board of Directors after the annual meeting of stockholders and that each officer shall hold office until his or her successor has been duly elected and qualified or until his or her death, resignation or removal from office.

Orlando Berges-González, 53

Executive Vice President and Chief Financial Officer

Executive Vice President and Chief Financial Officer of the Corporation since August 1, 2009. Over 30 years of experience in the financial, administration, public accounting and business sectors. Mr. Berges-González served as Executive Vice President of Administration of Banco Popular de Puerto Rico from May 2004 until May 2009, responsible for supervising the finance, operations, real estate, and administration functions in both the Puerto Rico and U.S. markets. Executive Vice President and Chief Financial, Operations and Administration Officer of Banco Popular North America from January 1998 to September 2001, and as Regional Manager of a branch network of Banco Popular de Puerto Rico from October 2001 to April 2004. Mr. Berges-González is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and of the Puerto Rico Society of Certified Public Accountants. Director of First Leasing and Rental Corporation, First Federal Finance Corporation d/b/a Money Express, FirstMortgage, FirstBank Overseas Corp., First Insurance Agency, Inc., First Express, Inc., FirstBank Puerto Rico Securities Corp., First Management of Puerto Rico, and FirstBank Insurance Agency, Inc., Grupo Empresas Servicios Financieros, and First Resolution Company.

Calixto García-Vélez, 42

Executive Vice President, Florida Region Executive

Executive Vice President and FirstBank Florida Regional Executive since March 2009. Before that, President and CEO of Doral Bank, EVP and President of the Consumer Banking Division of Doral Financial Corp in Puerto Rico and a member of Doral Bank's Board of Directors from September 2006 to November 2008. President of West Division of Citibank, N.A., responsible for the Bank's businesses in California and Nevada from 2005 to August 2006. From 2003 to 2006, Business Manager for Citibank's South Division where he was responsible for Florida, Texas, Washington, D.C., Virginia, Maryland and Puerto Rico. President of Citibank, Florida and board member of Citibank F.S.B. and Citibank West, F.S.B. from 1999 to 2003.

Ginoris Lopez-Lay, 43

Executive Vice President and Retail and Business Banking Executive

Executive Vice President of Retail and Business Banking since March 2010, responsible for the retail banking services as well as commercial services for the business banking segment. Joined First BanCorp in 2006 as Senior Vice President, leading the Retail Financial Services Division and establishing the Strategic Planning Department. Senior Vice President and Manager of the Strategic Planning and Marketing Division of Banco Popular Puerto Rico from 1996 to 2005. Other positions at Banco Popular, after joining in 1989, included Vice

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President of Strategic Planning and Financial Analyst of the Finance and Strategic Planning Group. Member of the Board of Directors (since 2001) and Vice Chairman (since 2005) of the Center for the New Economy, and advisor to the Board of Trustees of the Sacred Heart University from 2003 to 2004.

Emilio Martínó-Valdés, 61

Executive Vice President and Chief Lending Officer

Executive Vice President and Chief Lending Officer of FirstBank since October 2005. Senior Vice President and Credit Risk Manager of FirstBank from June 2002 to October 2005. Staff Credit Executive for FirstBank's Corporate and Commercial Banking business components since November 2004. First Senior Vice President of Banco Santander Puerto Rico; Director for Credit Administration, Workout and Loan Review, from 1997 to 2002. Senior Vice President for Risk Area in charge of Workout, Credit Administration, and Portfolio Assessment for Banco Santander Puerto Rico from 1996 to 1997. Deputy Country Senior Credit Officer for Chase Manhattan Bank Puerto Rico from 1986 to 1991. Director of First Mortgage, Inc. since October 2009.

Lawrence Odell, 63

Executive Vice President, General Counsel and Secretary

Executive Vice President, General Counsel and Secretary since February 2006. Senior Partner at Martínez Odell & Calabria since 1979. Over 30 years of experience in specialized legal issues related to banking, corporate finance and international corporate transactions. Served as Secretary of the Board of Pepsi-Cola Puerto Rico, Inc. from 1992 to 1997. Served as Secretary to the Board of Directors of BAESA, S.A. from 1992 to 1997. Director of FirstBank Puerto Rico Securities Corp. and First Management of Puerto Rico since March 2009.

Cassan Pancham, 50

Executive Vice President and Eastern Caribbean Region Executive

Executive Vice President of FirstBank since October 2005. First Senior Vice President, Eastern Caribbean Region of FirstBank from October 2002 until October 2005. Director and President of FirstExpress, Inc., and First Insurance Agency, Inc since 2005. Director of FirstMortgage since February 2010. Held the following positions at JP Morgan Chase Bank Eastern Caribbean Region Banking Group: Vice President and General Manager from December 1999 to October 2002; Vice President, Business, Professional and Consumer Executive from July 1998 to December 1999; Deputy General Manager from March 1999 to December 1999; and Vice President, Consumer Executive, from December 1997 to 1998. Member of the Governing Board of Directors of the Virgin Islands Port Authority since June 2007 and Chairman from January 2008 through January 2011. Director of FirstMortgage, Inc., First Insurance Agency, Inc., First Express, Inc., FirstBank Insurance Agency, Inc. and FirstBank Puerto Rico Securities Corp.

Dacio A. Pasarell-Colón, 63

Executive Vice President and Banking Operations Executive

Executive Vice President and Banking Operations Executive since September 2002. Over 27 years of experience at Citibank N.A. in Puerto Rico, which included the following positions: Vice President, Retail Bank Manager, from 2000 to 2002; Vice President and Chief Financial Officer from 1998 to 2000; Vice President, Head of Operations in 1998; Vice President Mortgage and Automobile Financing; Product Manager, Latin America from 1996 to 1998; Vice President, Mortgage and Automobile Financing Product Manager for Puerto Rico from 1986 to 1996. President of Citiseguros PR, Inc. from 1998 to 2001. Chairman of Ponce General Corporation and Director of FirstBank Florida from April 2005 until July 2009.

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Nayda Rivera-Batista, 38

Executive Vice President, Chief Risk Officer and Assistant Secretary of the Board of Directors

Executive Vice President since January 2008. Senior Vice President and Chief Risk Officer since April 2006. Senior Vice President and General Auditor from July 2002 to April 2006. She is a Certified Public Accountant, Certified Internal Auditor and Certified in Financial Forensics. More than 15 years of combined work experience in public company, auditing, accounting, financial reporting, internal controls, corporate governance, risk management and regulatory compliance. Served as a member of the Board of Trustees of the Bayamón Central University from January 2005 to January 2006. Director of FirstMortgage, FirstBank Overseas Corp., and FirstBank Puerto Rico Securities Corp since October 2009.

Certain Other Officers

Víctor M. Barreras-Pellegrini, 43

Senior Vice President and Treasurer

Senior Vice President and Treasurer since July 2006. Previously held various positions with Banco Popular de Puerto Rico from January 1992 to June 2006, including Fixed-Income Portfolio Manager in the Popular Asset Management division from 1998 to 2006 and Investment Officer in the Treasury division from 1995 to 1998. Director of FirstBank Overseas Corp. and First Mortgage since August 2006. Has 18 years of experience in banking and investments and holds the Chartered Financial Analyst designation. He is also member and Treasurer of the Board of Directors of Make-A-Wish Foundation P.R. Chapter.

Pedro Romero-Marrero, 38

Senior Vice President and Chief Accounting Officer

Senior Vice President and Chief Accounting Officer since August 2006. Senior Vice President and Comptroller from May 2005 to August 2006. Vice President and Assistant Comptroller from December 2002 to May 2005. He is a Certified Public Accountant with a Master of Science in Accountancy and has technical expertise in management reporting, financial analysis, corporate tax, internal controls and compliance with US GAAP, SEC rules and Sarbanes Oxley. Has more than twelve years of experience in accounting including big four public accounting firm, banking and financial services.

CORPORATE GOVERNANCE AND RELATED MATTERS

General

The following discussion summarizes various corporate governance matters including director independence, board and committee structure, function and composition, and governance charters, policies and procedures. Our Corporate Governance Guidelines and Principles; the charters of the Audit Committee, the Compensation and Benefits Committee, the Corporate Governance and Nominating Committee, the Credit Committee, the Asset/Liability Committee, the Compliance Committee and the Strategic Planning Committee; the Corporation's Code of Ethical Conduct, the Corporation's Code of Ethics for CEO and Senior Financial Officers; and the Independence Principles for Directors are available through our web site at www.firstbankpr.com, under Investor Relations Corporate Governance. Our stockholders may obtain printed copies of these documents by writing to Lawrence Odell, Secretary of the Board of Directors, at First BanCorp, 1519 Ponce de León Avenue, Santurce, Puerto Rico 00908.

Code of Ethics

In October 2008, we adopted a new Code of Ethics for CEO and Senior Financial Officers (the Code). The Code applies to each officer of the Corporation or its affiliates having any or all of the following responsibilities and/or authority, regardless of formal title: the president, the chief executive officer, the chief

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financial officer, the chief accounting officer, the controller, the treasurer, the tax manager, the general counsel, the general auditor, any assistant general counsel responsible for finance matters, any assistant controller and any regional or business unit financial officer. The Code states the principles to which senior financial officers must adhere in order to act in a manner consistent with the highest moral and ethical standards. The Code imposes a duty to avoid conflicts of interest and to comply with the laws and regulations that apply to the Corporation and its subsidiaries, among other matters. Only the Board, or a duly authorized committee of the Board, may grant waivers from compliance with this Code. Any waiver of any part of the Code will be promptly disclosed to stockholders on our website at www.firstbankpr.com. Neither the Board nor Audit Committee, the duly authorized committee of the Board, received any requests for waivers under the Code in 2010 or through November 11, 2011.

We also adopted a Code of Ethical Conduct that is applicable to all employees and Directors of the Corporation and all of its subsidiaries, which is designed to maintain a high ethical culture in the Corporation. The Code of Ethical Conduct addresses, among other matters, conflicts of interest, operational norms and confidentiality of our and our customers' information.

Independence of the Board of Directors and Director Nominees

The Board annually evaluates the independence of its members based on the criteria for determining independence identified by the NYSE, the SEC and our Independence Principles for Directors. Our Corporate Governance Guidelines and Principles requires that a majority of the Board be composed of directors who meet the requirements for independence established in our Independence Principles for Directors, which incorporates the independence requirements established by the NYSE and the SEC. The Board has concluded that the Corporation has a majority of independent directors. The Board has determined that Messrs. Thomas M. Hagerty, Michael P. Harmon, Roberto R. Herencia, Fernando Rodríguez-Amaro, José Menéndez-Cortada, Héctor M. Nevares-La Costa, and José Rodríguez-Perelló and Dr. Sharee Ann Umpierre-Catinchi are independent under the Independence Principles for Directors, taking into account the matters discussed under Certain Transactions and Related Person Transactions. Mr. Aurelio Alemán-Bermúdez, President and Chief Executive Officer, is not considered to be independent as he is a management Board member. During 2010, non-management directors separately met two (2) times with José Menéndez-Cortada, then Chairman of the Board, leading the meetings.

Board Leadership Structure

We currently have an independent chairman separate from the chief executive officer. The Board believes it is important to maintain flexibility in its board leadership structure and has had in place different leadership structures over the past few years, depending on our needs at the time. Nevertheless, the Board firmly supports having an independent director in a board leadership position at all times. Accordingly, our Board adopted corporate policies that provide that, if we do not have an independent chairman, the Board must elect a lead independent director, having similar duties to an independent chairman, including leading the executive sessions of the non-management directors at Board meetings. At this time, our chairman provides independent leadership of the Board. Having an independent chairman or lead director enables non-management directors to raise issues and concerns for Board consideration without immediately involving management. The independent chairman or lead director also serves as a liaison between the Board and senior management. Our Board has determined that the current structure, an independent chair separate from the chief executive officer, is the most appropriate structure at this time.

Board's Role in Risk Oversight

The Board oversees our enterprise risk management framework through the Audit Committee, the Credit Committee, the Asset/Liability Committee, the Strategic Planning Committee and the Compensation and Benefits Committee. Each one of the Board designated committees has a distinct charter and role within the governance and risk management hierarchy of the Corporation. The charters, which are posted on our website, define the roles and responsibilities of the committee's members, including the responsibility for risk oversight, and specify relationships among the committees, the Board and management.

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The Audit Committee oversees risk management processes mainly related to compliance, operations, our internal audit function, and our external financial reporting and internal control over financial reporting. The Credit Committee oversees our policies and procedures related to the Bank's lending function. The Asset/Liability Committee oversees our asset and liability management policies and procedures relating to (i) funds management, (ii) investment management, (iii) liquidity, (iv) interest rate risk management, (v) capital adequacy, and (vi) the use of derivatives. The Strategic Planning Committee assists and advises management with respect to, and monitors and oversees on behalf of the Board, corporate development activities not in the ordinary course of our business and strategic alternatives under consideration from time to time by the Corporation, including, but not limited to, acquisitions, mergers, alliances, joint ventures, divestitures, capitalization of the Corporation and other similar corporate transactions. The Compensation and Benefits Committee reviews compensation programs to ensure that they do not, among other things, encourage unnecessary or excessive risk-taking.

In addition, the Board receives periodically from the chief risk officer a risk report with respect to our approach to management of major risks, including any appropriate risk mitigation efforts by management. Enterprise Risk Management, led by the chief risk officer, and managed through the Risk Management Council (the Council), is a corporation-wide function that is responsible for an integrated effort to identify, assess and manage risks that may affect our ability to execute our corporate strategy and fulfill our business objectives. The Council is appointed by our Chief Executive Officer to assist us in overseeing, and receiving information regarding, our policies, procedures and practices relating to the Corporation's risks. As requested by the Board, the Council has a dotted reporting line to the Credit Committee, the Asset/Liability Committee and the Audit Committee to ensure that our risk management process as a whole is of the proper scope and functioning effectively. The Council's primary general functions involve:

The appointment of owners of the Corporation's significant risks;

The development of the risk management infrastructure needed to enable it to monitor risk policies and limits established by the Board;

The evaluation of the risk management process to identify any gap and the implementation of any necessary controls to close such gap;

The establishment of a process to enable the recognition, assessment, and management of risks that could affect the Corporation; and

Ensuring that the Board receives appropriate information about the Corporation's risks.

The Board's role is to oversee this effort, recognizing that management is responsible for executing our risk management policies. In performing this function, the Board receives periodic reports from the Board designated committees and different members of senior management.

Director Stock Ownership

The Board believes that appropriate stock ownership by directors further aligns their interests with those of our stockholders. Under our Director Stock Ownership Requirement Guidelines (the Guidelines), non-management directors are expected to hold an investment position in our Common Stock having a cost basis, except as described below, equivalent to at least \$250,000. Upon meeting the ownership goal, that number of shares, considering stock split adjustments, becomes fixed and must be maintained until the end of the director's service on the Board. Directors are required to achieve the ownership goal within three years after the director's initial appointment to the Board. The Guidelines are administered by the Corporate Governance and Nominating Committee of the Board. The Committee may recommend changes to the Guidelines to the Board, and the Board may at any time approve amendments or modifications to the Guidelines.

Communications with the Board

Stockholders or other interested parties who wish to communicate with the Board may do so by writing to the Chairman of the Board in care of the Office of the Corporate Secretary at the Corporation's headquarters,

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1519 Ponce de León Avenue, Santurce, Puerto Rico 00908 or by e-mail to directors@firstbankpr.com. Communications may also be made by contacting Lawrence Odell, Secretary of the Board, by e-mail at lawrence.odell@firstbankpr.com or by telephone at 787-729-8109. Communications related to accounting, internal accounting controls or auditing matters will be referred to the Chair of the Audit Committee. Depending upon the nature of other concerns, they may be referred to our Internal Audit Department, the Legal or Finance Department, or any other appropriate department. As they deem necessary or appropriate, the Chairman of the Board or the Chair of the Audit Committee may direct that certain concerns communicated to them be presented to the Audit Committee or the Board, or that such concerns receive special treatment, including through the retention of outside counsel or other outside advisors.

Board Meetings

The Board is responsible for directing and overseeing the business and affairs of the Corporation. The Board represents the Corporation's stockholders and its primary purpose is to build long-term stockholder value. The Board meets on a regularly scheduled basis during the year to review significant developments affecting the Corporation and to act on matters that require Board approval. It also holds special meetings when an important matter requires Board action between regularly scheduled meetings. The Board met twenty-one (21) times during fiscal year 2010. Each of the current members of the Board who were on the Board during fiscal year 2010 participated in at least 75% of the Board meetings held during fiscal year 2010. While we have not adopted a formal policy with respect to directors' attendance at annual meetings of stockholders, we encourage our directors to attend such meetings. All of the current members of the Board who were on the Board during fiscal year 2010 attended the 2010 annual meeting of stockholders.

Board Committees

The Board has six standing committees: the Audit Committee, the Compensation and Benefits Committee, the Corporate Governance and Nominating Committee, the Asset/Liability Committee, the Credit Committee and the Compliance Committee. In addition, from time to time and as it deems appropriate, the Board may also establish ad-hoc committees, which are created for a specific purpose to focus on examining a particular subject or matter. These ad-hoc committees have a deadline by which they must complete their work, or expire. The members of the committees are appointed and removed by the Board, which also appoints a chair for each committee. The functions of the standing committees, their current members and the number of meetings held during 2010 are set forth below. Each of the current members of the Board who were on the Board during fiscal year 2010 participated in at least 75% of the aggregate of the total number of meetings held by the committees of the Board on which he/she served during fiscal year 2010.

The following table sets forth the committees of the Board on which the current members of the Board serve:

Name of Director	Audit Committee(a)	Compensation & Benefits(b)	Corporate Governance & Nominating Committee(c)	Asset/Liability Committee	Credit Committee	Compliance Committee
Aurelio Alemán				*	*	
Michael P. Harmon		*				
Roberto R. Herencia		*	C			
José Menéndez-Cortada	*		*	*	C	*
Héctor M. Nevares-La Costa	*	*		*	*	
Fernando Rodríguez-Amaro	C					C
José F. Rodríguez-Perelló	*			C	*	*
Sharee Ann Umpierre-Catinchi		C	*			

* = Member

C = Chair

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- (a) José Menéndez-Cortada and José Rodríguez-Perelló were appointed to the Audit Committee on October 13, 2011.
- (b) Effective September 30, 2011 and October 7, 2011, Jorge Díaz-Irizarry and Frank Kolodziej, respectively, resigned as members of the Board and of its Compensation & Benefits Committee. Frank Kolodziej served on the committee from January 25, 2011 through his resignation. José L. Ferrer-Canals was also a member of the committee during 2010 through January 25, 2011.
- (c) Upon receipt of regulatory approval, Thomas M. Hagerty will serve on the Corporate Governance and Nominating Committee.

Audit Committee

The Audit Committee charter provides that this Committee is to be composed of at least three outside directors who meet the independence criteria established by the NYSE, the SEC and our Independence Principles for Directors.

As set forth in the Audit Committee charter, the Audit Committee represents and assists the Board in fulfilling its responsibility to oversee management regarding: (i) the conduct and integrity of our financial reporting to any governmental or regulatory body, stockholders, other users of our financial reports and the public; (ii) the performance of our internal audit function; (iii) our systems of internal control over financial reporting and disclosure controls and procedures; (iv) the qualifications, engagement, compensation, independence and performance of our independent auditors, their conduct of the annual audit of our financial statements, and their engagement to provide any other services; (v) our legal and regulatory compliance; (vi) the application of our related person transaction policy as established by the Board; (vii) the application of our codes of business conduct and ethics as established by management and the Board; and (viii) the preparation of the audit committee report required to be included in our annual proxy statement by the rules of the SEC.

Each member of the Audit Committee is financially literate, knowledgeable and qualified to review financial statements. The audit committee financial expert designated by the Board is Fernando Rodríguez-Amaro. The Audit Committee met a total of eighteen (18) times during 2010.

Audit Committee Report

In the performance of its oversight function, the Audit Committee reviewed and discussed the audited financial statements of the Corporation for the fiscal year ended December 31, 2010 with management and PricewaterhouseCoopers LLP, the Corporation's independent registered public accountants. The Audit Committee also discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, and as adopted by the Public Company Accounting Oversight Board. Finally, the Audit Committee has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, has considered whether the provision of non-audit services by the independent registered public accounting firm to the Corporation is compatible with maintaining the auditors' independence, and has discussed with the independent registered public accounting firm its independence from the Corporation and its management. These considerations and discussions, however, do not assure that the audit of the Corporation's financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board, that the financial statements are presented in accordance with generally accepted accounting principles in the United States or that the Corporation's independent registered public accounting firm is in fact independent.

The members of the Audit Committee are not engaged professionally in rendering auditing or accounting services on behalf of the Corporation nor are they employees of the Corporation. The Audit Committee relies, without independent verification, on the information provided and on the representations made by management

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that the Corporation's internal control over financial reporting is effective, that the financial statements have been prepared with integrity and objectivity and that such financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Audit Committee also relies on the opinions of the independent auditors on the consolidated financial statements and the effectiveness of internal control over financial reporting.

Based on the Audit Committee's consideration of the audited financial statements and the discussions referred to above with management and the independent registered public accounting firm, and subject to the limitations on the role and responsibilities of the Audit Committee set forth in the Charter and those discussed above, the Committee recommended to the Board that the Corporation's audited financial statements be included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010 for filing with the SEC.

This report is provided by the following independent directors who were on the Committee at the date of the recommendation:

Fernando Rodríguez-Amaro (Chairman)

Héctor M. Nevaes-La Costa

Until his resignation from the Board effective October 7, 2011, José Ferrer-Canals served as a member of the Audit Committee.

Compensation and Benefits Committee

The Compensation and Benefits Committee charter provides that the Committee is to be composed of a minimum of three directors who meet the independence criteria established by the NYSE and our Independence Principles for Directors. In addition, the members of the Committee are independent as defined in Rule 16b-3 under the Exchange Act. The Committee is responsible for the oversight of our compensation policies and practices including the evaluation and recommendation to the Board of the salaries and incentive compensation programs of the executive officers and key employees of the Corporation. The responsibilities and duties of the Committee include the following:

Review and approve the annual goals and objectives relevant to compensation of the chief executive officer and other executive officers, as well as the various elements of the compensation paid to the executive officers.

Evaluate the performance of the chief executive officer and other executive officers in light of the agreed upon goals and objectives and recommend to the Board the appropriate compensation levels of the chief executive officer and other executive officers based on such evaluation.

Establish and recommend to the Board for its approval the salaries, short-term incentive awards (including cash incentives) and long-term incentives awards (including equity-based incentives) of the chief executive officer, other executive officers and selected senior executive officers.

Evaluate and recommend to the Board for its approval severance arrangements and employment contracts for executive officers and selected senior executives.

Review and discuss with management our Compensation Discussion and Analysis for inclusion in our annual proxy statement.

During the period of our participation in the U.S. Treasury Troubled Asset Relief Program Capital Purchase Program, take necessary actions to comply with any applicable laws, rules and regulations related to the Capital Purchase Program, including, without limitation, conducting a risk assessment of our compensation arrangements and including a certification of that assessment in the Compensation Discussion and Analysis in our annual proxy statement.

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Periodically review the operation of the Corporation's overall compensation program for key employees and evaluate its effectiveness in promoting stockholder value and corporate objectives.

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The Committee has the sole authority to engage outside consultants to assist it in determining appropriate compensation levels for the chief executive officer, other executive officers, and selected senior executives and to set fees and retention arrangements for such consultants. The Committee has full access to any relevant records of the Corporation and may request any employee of the Corporation or other person to meet with the Committee or its consultants.

The Compensation and Benefits Committee met a total of two (2) times during fiscal year 2010.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee charter provides that the Committee is to be composed of a minimum of three directors who meet the independence criteria established by the NYSE, the SEC and our Independence Principles for Directors. The responsibilities and duties of the Committee include, among others, the following:

Annually review and make any appropriate recommendations to the Board for further developments and modifications to the corporate governance principles applicable to the Corporation.

Develop and recommend to the Board the criteria for Board membership.

Identify, screen and review individuals qualified to serve as directors, consistent with qualifications or criteria approved by the Board (including evaluation of incumbent directors for potential re-nomination); and recommend to the Board candidates for: (i) nomination for election or re-election by the stockholders; and (ii) any Board vacancies that are to be filled by the Board.

Review annually the relationships between directors, the Corporation and members of management and recommend to the Board whether each director qualifies as independent based on the criteria for determining independence identified by the NYSE, the SEC and our Independence Principles for Directors.

As vacancies or new positions occur, recommend to the Board the appointment of members to the standing committees and the committee chairs and review annually the membership of the committees, taking account of both the desirability of periodic rotation of committee members and the benefits of continuity and experience in committee service.

Recommend to the Board on an annual basis, or as vacancies occur, one member of the Board to serve as Chairman (who also may be the Chief Executive Officer).

Evaluate and advise the Board whether the service by a director on the board of another company or a not-for-profit organization might impede the director's ability to fulfill his or her responsibilities to the Corporation.

Retain and terminate in its sole discretion outside consultants or search firms to advise the Committee regarding the identification and review of board candidates, including sole authority to approve such consultant's or search firm's fees, and other retention terms.

Review annually our Insider Trading Policy to ensure continued compliance with applicable legal standards and corporate best practices. In connection with its annual review of the Insider Trading Policy, the Committee also reviews the list of executive officers subject to Section 16 of the Exchange Act, and the list of affiliates subject to the trading windows contained in the Policy.

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Develop, with the assistance of management, programs for director orientation and continuing director education.

Direct and oversee our executive succession plan, including succession planning for all executive officer positions and interim succession for the chief executive officer in the event of an unexpected occurrence.

Provide oversight of our policies and practices with respect to corporate social responsibility, including environmentally sustainable solutions.

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Consistent with the foregoing, take such actions as it deems necessary to encourage continuous improvement of, and foster adherence to, our corporate governance policies, procedures and practices at all levels and perform other corporate governance oversight functions as requested by the Board.

The Corporate Governance and Nominating Committee met a total of three (3) times during fiscal year 2010.

Identifying and Evaluating Nominees for Directors

The Board of Directors, acting through the Corporate Governance and Nominating Committee, is responsible for assembling for stockholder consideration a group of nominees that, taken together, have the experience, qualifications, attributes, and skills appropriate for functioning effectively as a board. The Nominating Committee regularly reviews the composition of the Board in light of the Corporation's changing requirements, its assessment of the Board's performance, and the input of stockholders and other key constituencies. The Corporate Governance and Nominating Committee looks for certain characteristics common to all Board members, including integrity, strong professional reputation and record of achievement, constructive and collegial personal attributes, and the ability and commitment to devote sufficient time and energy to Board service. In addition, the Corporate Governance and Nominating Committee seeks to include on the Board a complementary mix of individuals with diverse backgrounds and skills reflecting the broad set of challenges that the Board confronts. These individual qualities can include matters like experience in our industry, technical experience, leadership experience, and relevant geographical experience. In fulfilling these responsibilities regarding Board membership, the Board adopted the *Policy Regarding Selection of Directors*, which sets forth the Corporate Governance and Nominating Committee's responsibility with respect to the identification and recommendation to the Board of qualified candidates for Board membership, which is to be based primarily on the following criteria:

Judgment, character, integrity, expertise, skills and knowledge useful to the oversight of our business;

Diversity of viewpoints, backgrounds, experiences and other demographics;

Business or other relevant experience; and

The extent to which the interplay of the candidate's expertise, skills, knowledge and experience with that of other Board members will yield a Board that is effective, collegial and responsive to the needs of the Corporation.

The Corporate Governance and Nominating Committee does not have a specific diversity policy with respect to the director nomination process. Rather, the Committee considers diversity in the context of viewpoints, experience, skills, background and other demographics that could assist the Board in light of the Board's composition at the time.

The Committee gives appropriate consideration to candidates for Board membership nominated by stockholders and evaluates such candidates in the same manner as candidates identified by the Committee.

The Committee may use outside consultants to assist in identifying candidates. Members of the Committee discuss and evaluate possible candidates in detail prior to recommending them to the Board.

The Committee is also responsible for initially assessing whether a candidate would be an independent director under the requirements for independence established in our Independence Principles for Directors and applicable rules and regulations (an Independent Director). The Board, taking into consideration the recommendations of the Committee, is responsible for selecting the nominees for election to the Board by the stockholders and for appointing directors to the Board to fill vacancies, with primary emphasis on the criteria set forth above. The Board, taking into consideration the assessment of the Committee, also makes a determination as to whether a nominee or appointee would be an Independent Director.

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Succession Management

With respect to regular succession of the chief executive officer and senior management, the Board evaluates internal, and, when appropriate, external, candidates. To find external candidates, we seek input from the members of the Board and senior management and/or from recruiting firms. To develop internal candidates, we retained Caliper during 2008 to develop a corporate succession plan that identifies and prepares certain selected officers to benefit from mentoring, training, and job rotation, in order to eventually replace key executives of the Corporation in an unforeseen event or due to other specific circumstances. Succession management is the planning, execution, and ongoing management of our critical future people needs. The focus is on developing today's talent into tomorrow's leaders. We began our management succession process with the identification and development of high-potential employees for executive positions. In order to build a succession plan that will create a strong talent pool, we went through a five-step process:

Step One: Assess our business strategy and define leadership objectives. The process began with an assessment of our current and future business strategy. An understanding of our competitive position in the marketplace, along with growth goals, allowed for a better definition of future leadership needs.

Step Two: Develop the model for an integrated talent management system. During Step Two, we defined future leadership needs and the competencies required for success.

Step Three: Assess and align the talent in the Corporation with the business strategy. In Step Three, we began to assess and identify people with the most leadership potential. To be certain the process is objective, and to avoid overlooking those not currently in management roles, assessments were used along with current performance data. Current employees were rated against the established leadership competencies, and individual gap analyses were used to determine their developmental needs.

Step Four: Provide leadership feedback and development planning. In Step Four, we provided individual feedback and coaching to each of the individuals identified as having high potential including through agreeing on a development plan. These plans, along with ongoing mentoring, will support the high-potential employees and help them reach shared goals.

Step Five: Implement, monitor, measure and report developmental strategies. During this phase, specific strategies to address particular business needs can be implemented including, but not limited to, action learning, executive coaching and team-based projects. During 2009, we completed Steps One through Four with respect to the first pool of identified high potential employees for our executive positions, which encompass forty (40) officers of the Corporation. During 2010, we extended the five-step process to a select group of senior management positions in addition to continuing Step Five for the first group of identified high potential employees for executive positions.

Asset/Liability Committee

In 2008, the Board revised its committee structure and resolved to segregate the Asset/Liability Risk Committee's responsibilities into two separate committees; the Credit Committee and the Asset/Liability Committee. The Asset/Liability Committee's charter provides that that Committee is to be composed of a minimum of three directors who meet the independence criteria established by the NYSE, the SEC, and our Independence Principles for Directors, and also to include our Chief Executive Officer, Chief Financial Officer, Treasurer and Chief Risk Officer. Under the terms of its charter, the Asset/Liability Committee assists the Board in its oversight of our policies and procedures related to asset and liability management, including (i) funds management, (ii) investment management, (iii) liquidity, (iv) interest rate risk management, (v) capital adequacy, and (vi) the use of derivatives (the ALM). In doing so, the committee's primary functions involve:

The establishment of a process to enable the identification, assessment and management of risks that could affect the Corporation's ALM;

The identification of the Corporation's risk tolerance levels for yield maximization related to its ALM;

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The evaluation of the adequacy and effectiveness of the Corporation's risk management process related to the Corporation's ALM, including management's role in that process; and

The evaluation of the Corporation's compliance with its risk management process related to the Corporation's ALM. The Asset/Liability Committee met a total of four (4) times during fiscal year 2010.

Credit Committee

The Credit Committee's charter provides that this Committee is to be composed of a minimum of three directors who meet the independence criteria established by the NYSE, the SEC and our Independence Principles for Directors, and also include our Chief Executive Officer, Chief Lending Officer and Corporate Wholesale Banking Executive. Under the terms of its charter, the Credit Committee assists the Board in its oversight of our policies and procedures related to all matters of our lending function, hereafter Credit Management. In doing so, this Committee's primary functions involve:

The establishment of a process to enable the identification, assessment and management of risks that could affect our Credit Management;

The identification of our risk tolerance levels related to our Credit Management;

The evaluation of the adequacy and effectiveness of our risk management process related to our Credit Management, including management's role in that process;

The evaluation of our compliance with our risk management process related to our Credit Management; and

The approval of loans as required by the lending authorities approved by the Board. The Credit Committee met a total of twenty (20) times during fiscal year 2010.

Compliance Committee

On June 22, 2010, the Board approved the formation of the Compliance Committee. This committee was established to assist the Board of the Bank in fulfilling its responsibility to ensure compliance by the Corporation and the Bank with the Consent Order entered into with the FDIC and the OCIF pursuant to which the Bank agreed to take certain actions designed to improve the financial condition of the Bank. In addition, the Committee assists the Board of the Corporation in fulfilling its responsibility with respect to compliance with the Written Agreement entered into with the Federal Reserve (the Consent Order and the Written Agreement are referred to jointly as the Agreements). Once the Agreements are terminated by the FDIC, OCIF and the FED, the Committee will cease to exist.

The Compliance Committee charter provides that the committee is to be composed of at least three directors who meet the independence criteria established by the NYSE, the SEC and the Corporation's Independence Principles for Directors. The responsibilities and duties of the Compliance Committee include, among others, the following:

Review and approval of the action plan and timeline developed by management to comply with the Agreements;

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Monitor the implementation of the action plans developed to comply with the Agreements and address the issues identified in the most recent examination reports; and

Assure that all deliverables pursuant to the Agreements that require Board approval are presented timely to the Boards to comply with the required timeframes established in the Agreements and delivered to the FDIC, OCIF, and the FED in a timely manner in compliance with the required timeframes established in the Agreements.

The Compliance Committee met a total of eight (8) times during fiscal year 2010.

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CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

We review all transactions and relationships in which the Corporation and any of its directors, director nominees, executive officers, security holders who are known to the Corporation to own of record or beneficially more than 5% of any class of the Corporation's voting securities and any immediate family member of any of the foregoing persons (each, a Related Person) have an interest. Our Corporate Governance Guidelines and Principles and Code of Ethics for CEO and Senior Financial Officers require our directors, executive officers and principal financial officers to report to the Board or the Audit Committee any situation that could be perceived as a conflict of interest. In addition, applicable law and regulations require that all loans or extensions of credit to executive officers and directors be made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons (unless the loan or extension of credit is made under a benefit program generally available to all employees and does not give preference to any insider over any other employee) and must not involve more than the normal risk of repayment or present other unfavorable features. Pursuant to Regulation O adopted by the Federal Reserve Board, any extension of credit to an executive officer, director, or principal stockholder, including any related interest of such persons (collectively an Insider), must be approved in advance by a majority of the Board, excluding the interested party, if such extension, when aggregated with all other loans or lines of credit to that Insider: (a) exceeds 5% of the Bank's capital and unimpaired surplus or \$25,000, whichever is greater, or (b) exceeds (in any case) \$500,000.

During 2007, the Board adopted a Related Person Transaction Policy (the Policy) that addresses the reporting, review and approval or ratification of transactions with Related Persons. The policy is not designed to prohibit related person transactions; rather, it is to provide for timely internal reporting and appropriate review, approval or rejection, oversight and public disclosure, when required, of such transactions.

For purposes of the Policy, a related person transaction is a transaction or arrangement or series of transactions or arrangements in which the Corporation participates (whether or not the Corporation is a party), the amount involved exceeds \$120,000, and a Related Person has a direct or indirect material interest. A Related Person's interest in a transaction or arrangement is presumed material to such person unless it is clearly incidental in nature or has been determined in accordance with the policy to be immaterial in nature. A transaction in which any subsidiary of the Corporation or any other company controlled by the Corporation participates shall be considered a transaction in which the Corporation participates.

Examples of related person transactions generally include sales, purchases or other transfers of real or personal property, use of property and equipment by lease or otherwise, services received or furnished, and the borrowing and lending of funds, guarantees of loans or other undertakings and the employment by the Corporation of an immediate family member of a Related Person or a change in the terms or conditions of employment of such an individual that is material to such individual. However, the policy contains a list of categories of transactions that will not be considered related person transactions for purposes of the Policy given their nature, size and/or degree of significance to the Corporation, and, therefore, need not be brought to the Audit Committee for their review and approval or ratification.

Any director, director nominee or executive officer who intends to enter into a related person transaction is required to disclose that intention and all material facts with respect to such transaction to the General Counsel, and any officer or employee of the Corporation who intends to cause the Corporation to enter into any related person transaction must disclose that intention and all material facts with respect to the transaction to his or her superior, who is responsible for reporting such information to the General Counsel. The General Counsel is responsible for determining whether a transaction may meet the requirements of a related person transaction requiring review under the Policy, and, upon such determination, must report the material facts respecting the transaction and the Related Person's interest in such transaction to the Audit Committee for its review and approval or ratification. Any related party transaction in which the General Counsel has a direct or indirect interest is evaluated directly by the Audit Committee.

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If a member of the Audit Committee has an interest in a related person transaction and the number of Audit Committee members available to review and approve the transaction is less than two members after such committee member recuses himself or herself from consideration of the transaction, the transaction must instead be reviewed by an ad hoc committee of at least two independent directors designated by the Board. The Audit Committee may delegate its authority to review, approve or ratify specified related person transactions or categories of related person transactions when the Audit Committee determines that such action is warranted.

Annually, the Audit Committee must review any previously approved or ratified related person transaction that is continuing (unless the amount involved in the uncompleted portion of the transaction is less than \$120,000) and determine, based on the then existing facts and circumstances, including the Corporation's existing contractual or other obligations, if it is in the best interests of the Corporation to continue, modify or terminate the transaction.

The Audit Committee has the authority to (i) determine categories of related person transactions that are immaterial and not required to be individually reported to, reviewed by, and/or approved or ratified by the Audit Committee and (ii) approve in advance categories of related person transactions that need not be individually reported to, reviewed by, and/or approved or ratified by the Audit Committee but may instead be reported to and reviewed by the Audit Committee collectively on a periodic basis, which must be at least annually. The Audit Committee must notify the Board on a quarterly basis of all related person transactions approved or ratified by the Audit Committee.

In connection with approving or ratifying a related person transaction, the Audit Committee (or its delegate), in its judgment, must consider in light of the relevant facts and circumstances whether or not the transaction is in, or not inconsistent with, the best interests of the Corporation, including consideration of the following factors to the extent pertinent:

the position or relationship of the Related Person with the Corporation;

the materiality of the transaction to the Related Person and the Corporation, including the dollar value of the transaction, without regard to profit or loss;

the business purpose for and reasonableness of the transaction, based on a consideration of the alternatives available to the Corporation for attaining the purposes of the transaction;

whether the transaction is comparable to a transaction that could be available on an arm's-length basis or is on terms that the Corporation offers generally to persons who are not Related Persons;

whether the transaction is in the ordinary course of the Corporation's business and was proposed and considered in the ordinary course of business; and

the effect of the transaction on the Corporation's business and operations, including on the Corporation's internal control over financial reporting and disclosure controls and procedures, and any additional conditions or controls (including reporting and review requirements) that should be applied to such transaction.

During fiscal year 2010 and thus far in fiscal 2011, directors and officers and persons or entities related to such directors and officers were customers of and had transactions with the Corporation and/or its subsidiaries. All such transactions were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time they were made for comparable transactions with persons not related to the Corporation, and did not involve more than the normal risk of collectability or present other unfavorable features.

During 2010, the Corporation engaged, in the ordinary course of business, the legal services of Martínez Odell & Calabria. Lawrence Odell, General Counsel of the Corporation since February 2006, is a partner at Martínez Odell & Calabria (the Law Firm). On January 31, 2011, the Corporation approved an amendment to the agreement (the Services Agreement) it entered into with the Law Firm in February 2006 in connection with

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the Corporation's execution of an employment agreement with Lawrence Odell relating to his retention as Executive Vice President and General Counsel of the Corporation and its subsidiaries. Mr. Odell's employment agreement provides that, on each anniversary of the date of commencement, the term of such agreement is automatically extended for an additional one (1) year period beyond the then-effective expiration date and that Mr. Odell will remain a partner at the Law Firm during the term of his employment. The Services Agreement provides for the payment by the Corporation to the Law Firm of \$60,000 per month as consideration for the services rendered to the Corporation by Mr. Odell. The Services Agreement had a term of four years expiring on February 14, 2010. In light of the automatic extension of Mr. Odell's employment agreement, the Corporation amended the Services Agreement on January 29, 2010 for purposes of extending its term from February 14, 2010 until February 14, 2011 and further amended it on January 31, 2011 for purposes of further extending its term through February 14, 2012, unless earlier terminated. The Corporation also engaged the Law Firm to be the corporate and regulatory counsel to it and FirstBank. In 2010 and thus far in 2011, the Corporation paid \$1,584,258 and \$981,583, respectively, to the Law Firm for its legal services and \$720,000 and \$660,000, respectively, to the Law Firm in accordance with the terms of the Services Agreement. The 2010 and 2011 engagement of the Law Firm and 2011 extension of the Services Agreement were approved by the Audit Committee as required by the Policy.

During 2003, the Corporation entered into a loan agreement with HB Construction Developers and Arturo Díaz-Irizarry, the sole owner of HB Construction Developers and brother of former director Jorge Díaz-Irizarry. The loan was made to provide funds for the interim financing to finish the development of 124 low income housing units at the residential project to be known as Haciendas de Borinquén in Lares, Puerto Rico. The loan was made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time it was made for comparable transactions with persons not related to the Corporation, and did not involve more than the normal risk of collectibility or present other unfavorable features. In July 2005, the loan was classified as past due at the time of its maturity. The largest amount of the loan outstanding during fiscal year 2010 was \$248,171. As of September 30, 2011, the date of Mr. Diaz-Irizarry's resignation, the amount of the loan outstanding was \$248,171. During 2010 and through September 30, 2011, \$7,998 of interest had been paid, at an interest rate of 4.25%. During such period, no principal was repaid.

During 2007, the Corporation entered into a loan agreement with Elmaria Homes, Corp and Ernesto Rodríguez-Alzugaray, the owner of a third of Elmaria Homes, Corp and brother of director Fernando Rodríguez-Amaro. The loan was made to provide funds for the interim financing to finish the development of 64 apartments at the residential condominium project known as Elmaria Condominium in Río Piedras, Puerto Rico. The original maturity date of June 15, 2008 was extended to December 1, 2010. The loan was made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time it was made for comparable transactions with persons not related to the Corporation, and did not involve more than the normal risk of collectibility or present other unfavorable features. In the first quarter of 2009, the Corporation classified this loan in non-accruing status because of concerns about the financial condition of the borrower. The largest amount of the loan outstanding during fiscal 2010 was \$7,965,025. As of February 15, 2011, the amount of the loan outstanding was \$6,365,001. During 2010 and through February 15, 2011, no principal and interest was paid on the loan. On February 16, 2011, the Corporation sold the loan to Elmaria Homes, Corp. to an unrelated third party.

During 2010, the Corporation and its subsidiaries engaged, in the ordinary course of business, the services of Tactical Media, a diversified media company with operations in Puerto Rico that is partially owned by Mr. Ángel Álvarez-Freiria, son of Mr. Ángel Álvarez-Pérez, an individual known to the Corporation to have been a beneficial owner of more than 5% of the Corporation's Common Stock during 2010. Total fees paid during 2010 to Tactical Media amounted to \$308,560. The engagement of Tactical Media was approved by the Audit Committee as required by the Policy.

Effective October 27, 2011, Thomas M. Hagerty, who is a Managing Director at THL, was appointed a director of the Corporation, subject to regulatory approval, pursuant to the investment agreement that the Corporation entered into with THL. In connection with that agreement, THL purchased from the Corporation

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shares of Common Stock having an aggregate price of \$174.1 million and designated Mr. Hagerty as its Board representative. As of November 7, 2011, THL beneficially owned 24.82% of our Common Stock.

Effective October 27, 2011, Michael P. Harmon, who is a Managing Director at Oaktree Capital Management, L.P., was appointed a director of the Corporation pursuant to the investment agreement that the Corporation entered into with Oaktree. In connection that agreement, Oaktree purchased from the Corporation shares of Common Stock having an aggregate purchase price of \$174.1 million and designated Mr. Harmon as its Board representative. As of November 7, 2011, Oaktree and Mr. Harmon beneficially owned 24.82% of our Common Stock,

Our investment agreements with THL and Oaktree, as recently amended in connection with the purchase by THL and Oaktree of certain shares sold to other investors in the Capital Raise, and our investment agreement with Wellington, another greater than 5% stockholder, provide them with various rights. We have agreed to file as promptly as practicable, and in any event within 90 days after completion of the Issuance, a registration statement under the Securities Act of 1933 to register the offers and sales of the shares of Common Stock that we sold in the Capital Raise. In addition, pursuant to these agreements, we reimbursed THL and Oaktree each \$4 million and reimbursed Wellington approximately \$68,000 for expenses each incurred in connection with the Capital Raise. As noted above, each of THL and Oaktree have the right to designate a person to serve on our Board for as long as each of them owns at least 25% of the number of shares each currently owns. Consistent with our agreements with THL and Oaktree, we appointed Mr. Herencia to serve as our Chairman of the Board and appointed Messrs. Hagerty, subject to regulatory approval, and Harmon as directors. We have also agreed that, beginning with our 2012 annual meeting of stockholders, two additional directors will be nominated to the Board and a majority of our directors will be either investor designees or independent directors with banking or related financial management expertise. Our investment agreements with THL and Oaktree also include certain indemnification provisions. Finally, we have agreed to permit each of THL and Oaktree to acquire additional shares of Common Stock in the following circumstances: (a) for as long as each of THL and Oaktree, as applicable, owns at least 25% of the number of shares of Common Stock that it currently owns, each such investor will have the right to acquire from us at such time as we sell (i) any Common Stock or securities that are convertible into or exchangeable for Common Stock, or include a Common Stock component, an amount of securities up to the amount of the new securities required to maintain its percentage Common Stock-equivalent interest in us at the same level as it was before the issuance of those securities and (ii) any Common Stock or securities that are convertible into or exchangeable for Common Stock, or include a Common Stock component, to any investor to which we sold Common Stock in the Capital Raise an amount of securities up to the amount of new securities equal to the aggregate amount of new securities that we offer to sell to such other investor or its affiliates for the same price and on the same terms as such other offer or sale to such other investor or its affiliates and (b) for as long as each of THL and Oaktree, as applicable, owns in the aggregate at least as many shares of Common Stock as any other entity or group of affiliated entities, if we offer to sell to any entity or group of affiliated entities Common Stock or securities that are convertible into or exchangeable for Common Stock, or include a Common Stock component, that would cause that entity or group of affiliated entities to own more shares of Common Stock than THL or Oaktree, as applicable, we will offer to sell to each of THL and Oaktree, for the same price and on the same terms, a number of new securities such that THL or Oaktree, as applicable, will own an amount of shares of Common Stock, after giving effect to the conversion or exercise of such new securities into Common Stock, equal to the number of shares of Common Stock owned by such other entity or group of affiliated entities.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Corporation's Compensation and Benefits Committee during fiscal year 2010 consisted of directors Sharee Ann Umpierre-Catinchi, Chairperson, Jorge L. Díaz-Irizarry, and José L. Ferrer-Canals. During 2010, no executive officer of the Corporation served on any board of directors or compensation committee of any entity whose board members or management served on the Corporation's Board or on the Corporation's Compensation and Benefits Committee.

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COMPENSATION OF DIRECTORS

Non-management directors of the Corporation receive an annual retainer and compensation for attending meetings of the Board but not for attending meetings of the Board of Directors of the Bank when such meetings are held on the same day on which a Board meeting of the Corporation is held. Directors who are also officers of the Corporation, FirstBank or any other subsidiary of the Corporation do not receive fees or other compensation for service on the Board, the Board of Directors of FirstBank, or the Board of Directors of any other subsidiary or any of their committees. Accordingly, Mr. Aurelio Alemán-Bermúdez, who was a director during 2010, is not included in the table set forth below because he was an employee at the same time and, therefore, received no compensation for his services as a director.

The Corporation's non-management directors' compensation structure, which became effective in February 2008, based on a recommendation made by Mercer (US) Inc., provides for the receipt by each director of an annual retainer of \$30,000 and receipt by the Chair of the Audit Committee of an additional annual retainer of \$25,000. The retainers are payable in cash on a monthly basis over a twelve-month period. The director compensation structure also contemplates the grant of an annual equity award of \$35,000 payable in the form of restricted stock, although this was not paid in 2010. In addition, our director compensation structure provides for the payment of meeting fees of \$1,000 for each Board or Committee meeting attended, which is also payable in cash.

In October 2009, the Compensation and Benefits Committee retained the services of Compensation Advisory Partners LLC, an independent executive compensation consulting firm, who performed an analysis of the Corporation's peer group and examined pay practices in the broader financial services industry to determine a competitive compensation level for the non-management chairman of the Board. Based upon the analysis, the Compensation and Benefits Committee recommended to the Board and the Board approved an annual cash retainer for the non-management chairman of \$82,500.

The Corporation reimburses Board members for travel, lodging and other reasonable out-of-pocket expenses in connection with attendance at Board and committee meetings or performance of other services for the Corporation in their capacities as directors.

The Compensation and Benefits Committee will periodically review market data in order to determine the appropriate level of compensation for maintaining a competitive director compensation structure necessary to attract and retain qualified candidates for board service. On October 27, 2011, the Corporation and Mr. Herencia entered into a letter agreement pursuant to which Mr. Herencia will receive an annual retainer of \$400,000 for his service as the chairman of the Board, including as chairman of the board of directors of the Corporation's subsidiary bank, FirstBank Puerto Rico. In addition, Mr. Herencia is entitled to special compensation consisting of (i) \$1.2 million and (ii) if he continues to serve as chairman during the applicable periods, \$500,000 on December 31, 2011, \$500,000 on June 30, 2012, \$600,000 on December 31, 2012, \$600,000 on June 30, 2013, and \$600,000 on December 31, 2013. In connection with the performance of his duties as chairman, Mr. Herencia will be entitled to reimbursement of certain expenses including costs related to office space and health insurance.

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The following table sets forth all the compensation that the Corporation paid to non-management directors who served during fiscal year 2010:

Name	Fees	Stock	Option	Non -Equity	Change in Pension	All Other	Total
	Earned or				Value and		
	Paid in	Awards	Awards	Incentive Plan	Nonqualified	Compensation	
	Cash			Compensation	Deferred		
	(\$)	(\$)(a)	(\$)	(\$)	Earnings	(\$)	(\$)
Jorge Díaz-Irizarry(b)	80,000						80,000
José Ferrer-Canals(c)	88,000						88,000
Frank Kolodziej-Castro(d)	62,000						62,000
José Menéndez-Cortada	176,500						176,500
Héctor M. Nevares-La Costa	98,000						98,000
Fernando Rodríguez-Amaro	110,000						110,000
José Rodríguez-Perelló	104,000						104,000
Sharee Ann Umpierre-Catinchi	57,000						57,000

(a) Does not include the unvested portion of restricted Common Stock granted to each independent director in December 2008 of which 90 restricted shares were held by each director listed in the table as of December 31, 2010, which will vest on December 1, 2011.

(b) Effective September 30, 2011, Mr. Jorge Díaz-Irizarry resigned as director of the Corporation.

(c) Effective October 7, 2011, Mr. José Ferrer-Canals resigned as director of the Corporation.

(d) Effective October 7, 2011, Dr. Frank Kolodziej-Castro resigned as director of the Corporation.

PROPOSAL NO. 2**APPROVAL OF THE FIRST BANCORP 2008 OMNIBUS INCENTIVE PLAN, AS AMENDED**

You are being asked to approve the First BanCorp 2008 Omnibus Incentive Plan (the Plan), as amended to increase the number of shares reserved for issuance under the Plan, eliminate the restriction on the number of shares available for issuance pursuant to certain awards, increase the maximum number of shares that can underlie options, stock appreciation rights or any award intended to qualify as a qualified performance-based award under Section 162(m) of the U.S. Code granted to any individual participant in any fiscal year, and revise certain provisions relating to performance-based awards.

On October 27, 2011, the Board of Directors adopted, subject to stockholder approval, the proposed amendments. The Plan amendment to increase the number of shares of First BanCorp Common Stock reserved for issuance pursuant to the Plan would increase the number of authorized shares from the current maximum of 253,333 (as adjusted to give effect to the one-for-fifteen reverse split of Common Stock in January 2011) shares to 8,169,807 shares. As of November 7, 2011, an aggregate of 251,459 shares of Common Stock remained available for award pursuant to the Plan. If this amendment is approved, an aggregate of 8,169,807 shares will be available for future awards pursuant to the Plan.

By approving the Plan, as amended, the stockholders will also be approving, among other things, the performance measures, eligibility requirements and the limits on various awards contained therein for purposes of Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended (the U.S. Code). Accordingly, for the next five years, the Corporation will be able to grant performance-based equity awards that will qualify as performance-based compensation under Section 162(m) of the U.S. Code to U.S. employees participating in the Plan who are subject to U.S. federal income taxes. Awards which so qualify will not be subject to the \$1,000,000 per person limitation on the income tax deductibility of compensation paid to certain executive officers that would otherwise be imposed under Section 162(m) of the U.S. Code.

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The Board of Directors believes that it is important to the long-term success of the Corporation to continue to use equity as part of the Corporation's overall compensation program. Equity compensation motivates executives to create stockholder value and encourages executives to focus on long-term value creation because equity awards are subject to either vesting or performance conditions and generally provide the greatest value to employees when held for a long term.

In light of the Corporation's participation in the U.S. Treasury Troubled Asset Relief Capital Purchase Program (TARP, the Capital Purchase Program or CPP), the Corporation is subject to certain executive compensation restrictions under the Emergency Economic Stabilization Act of 2008 (EESA), as amended by the American Reinvestment and Recovery Act of 2009 (ARRA) and the rules and regulations promulgated thereunder, under U.S. Treasury regulations and under the contract pursuant to which the Corporation sold preferred stock to the U.S. Treasury. Accordingly, for as long as the U.S. Treasury continues to own the Common Stock that the Corporation issued to the U.S. Treasury upon the conversion of the U.S. Treasury's preferred stock, the Corporation is prohibited from granting any rights to bonus payments or equity-based awards to the Corporation's senior executive officers (as defined in the CPP), and the 10 next most highly-compensated employees except for long-term restricted stock if it satisfies the following requirements: (i) the value of the grant may not exceed one-third of the amount of the employee's annual compensation calculated in the fiscal year in which the compensation is granted, (ii) no portion of the grant may vest before two years after the grant date, and (iii) the grant must be subject to a further restriction on transfer or payment in accordance with the repayment of TARP funds.

The following summary describes the material features of the Plan, as amended. This summary is qualified in its entirety by the terms of the Plan, as amended. A copy of the Plan, as amended, is attached as Appendix A to this Proxy Statement.

Description of the Plan

Purpose

The purpose of the Plan is to provide long-term incentive compensation benefits to Corporation employees and directors and to assist the Board of Directors and management in the attraction and recruitment of qualified officers to serve the Corporation and its subsidiaries.

Eligibility

Selected employees, officers and directors of the Corporation and its affiliates may receive an award under the Plan. As of September 30, 2011, approximately 2,500 employees and 7 non-employee directors were eligible to be selected by the Compensation and Benefits Committee (the Compensation Committee) to receive awards under the Plan.

Administration

The Plan is administered by the Compensation Committee, which may issue rules and regulations to administer the Plan.

Subject to the terms of the Plan and applicable law, the Board of Directors, upon receiving the relevant recommendations of the Compensation Committee, may: (i) designate participants; (ii) determine the type or types of awards to be granted to each participant under the Plan; (iii) determine the number of shares of Common Stock to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) awards; (iv) determine the terms and conditions of any award; (v) adopt the form of award agreements; (vi) determine whether, to what extent and under what circumstances awards may be settled or exercised in cash, shares of Common Stock, other securities, or other awards, or canceled, forfeited or suspended, and the method or methods by which awards may be settled, exercised, canceled, forfeited or suspended;

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(vii) correct any defect, resolve any omission or reconcile any inconsistency in or between the Plan and an award agreement; (viii) determine whether, to what extent and under what circumstances cash, shares of Common Stock, other securities, other awards, and other amounts payable with respect to an award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Board of Directors; (ix) interpret and administer the Plan and any instrument or agreement relating to, or award made under, the Plan; (x) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (xi) make any other determination and take any other action that the Board of Directors deems necessary or desirable for the administration of the Plan.

Number of Shares Available for Issuance, Award Limits and Adjustments

The Plan, as amended, would permit the award of an aggregate of 8,169,807 shares (subject to adjustment as provided in the Plan and as described below). As described above, 251,459 of the originally authorized 253,333 shares remain available for awards. Any shares of Common Stock that have been subject to an award that is forfeited or an award that otherwise terminates without the delivery of shares of Common Stock will become available again for future Plan awards. Shares of Common Stock underlying awards settled in cash and outstanding awards that are assumed or replaced by awards under the Plan in connection with an acquisition will not reduce the number of shares of Common Stock available for issuance under the Plan.

Shares of Common Stock that are withheld from an award to pay the exercise price, shares of Common Stock that are withheld for purposes of withholding taxes related to an outstanding award and shares of Common Stock not issued as a result of the exercise of a SAR will not be available for issuance as awards under the Plan.

Award Limits. Subject to adjustment as provided in the Plan and described below, the Plan prohibits (i) the award of more than an aggregate of 8,169,807 shares of Common Stock as incentive stock options and (ii) the award of more than an aggregate of 1.5 million shares of Common Stock to any individual participant in any fiscal year in the form of options, stock appreciation rights or any award intended to qualify as a qualified performance-based award under Section 162(m) of the U.S. Code. The proposed amendment to the Plan would eliminate the current restriction in the Plan on the number of shares of Common Stock that can be issued under the Plan in the form of restricted stock, restricted stock units, performance shares and other stock-based awards because this restriction is no longer considered necessary, would increase the amount of shares authorized for issuance as incentive stock options to 8,169,807 shares, and increase the maximum number of shares that can underlie options, stock appreciation rights or any award intended to qualify as a qualified performance-based award under Section 162(m) of the U.S. Code granted to any individual participant in any fiscal year from the current maximum of 43,333 (as adjusted to give effect to the one-for-fifteen reverse stock split in January 2011) to 1.5 million.

Adjustments. If certain corporate transactions or events occur, including a dividend, recapitalization, stock split, reverse stock split, reorganization, merger, or consolidation, the Compensation Committee, in order to prevent diminution or enlargement of the benefits or potential benefits under the Plan, will equitably adjust (i) the number and type of shares of Common Stock (or other securities) which thereafter may be granted under the Plan, including the aggregate and individual limits specified above; (ii) the number and type of shares of Common Stock (or other securities) subject to outstanding awards; and (iii) the grant, purchase or exercise price with respect to any award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding award. Any such adjustment must meet the requirements of Section 409A of the U.S. Code, if applicable.

Types of Awards

The Plan authorizes the grant of: (1) incentive stock options, qualified stock options, and nonqualified stock options; (2) stock appreciation rights; (3) restricted stock and restricted stock units; (4) performance shares; and (5) other stock-based awards.

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Stock Options. Stock options entitle the holder to purchase a specified number of shares of Common Stock at a specified price, which is called the exercise price, subject to the terms and conditions of the option grant. The Board of Directors, upon the recommendations of the Compensation Committee, may grant incentive stock options (ISOs), qualified stock options (QSOs), and nonqualified stock options (together, with ISOs and QSOs, options). ISOs, QSOs and nonqualified options are subject to different tax treatment, as described under Tax Information below. The exercise price of options granted under the Plan must be at least equal to the fair market value of the Common Stock on the date the award is granted to a participant. The Board of Directors will fix the term of each option, but options granted under the Plan will not be exercisable more than ten years after the date the option is granted. Each option will vest and become exercisable at such time or times as determined by the Board of Directors. Options may be exercised, in whole or in part, by payment in full of the purchase price in one, or a combination of, the following forms of payment, as may be permitted by the Compensation Committee, in its discretion: cash or check; the delivery of Common Stock already owned by the participant for at least six months prior to such delivery; the withholding of shares of Common Stock having a fair market value on the date of exercise equal to the exercise price; or broker-assisted cashless exercise.

Stock Appreciation Rights. A stock appreciation right (SAR) is a contractual right granted to the participant to receive, in cash, Common Stock or some combination thereof, an amount equal to the appreciation of one share of Common Stock from the date of grant. The Board of Directors, upon the recommendations of the Compensation Committee, may grant SARs. SARs may be granted as freestanding awards or in tandem with other types of grants. SARs granted in tandem with options will be substantially identical to the terms and conditions applicable to the tandem options, and freestanding SARs will be substantially identical to the terms and conditions that would have been applicable were the grant of the SARs a grant of options. SARs that are granted in tandem with an option may only be exercised upon surrender of the right to exercise such option for an equivalent number of shares. Each SAR shall be evidenced by an award agreement which includes the terms and conditions recommended by the Compensation Committee.

Restricted Stock and Restricted Stock Units. The Board of Directors, upon the recommendations of the Compensation Committee, may grant shares of restricted stock and/or restricted stock units. The conditions that must be satisfied before the grant will become effective and the conditions, if any, under which the award will be forfeited or become vested, including performance goals, if any, that must be achieved as a condition to vesting, shall be set forth in an award agreement. If the vesting of restricted stock or restricted stock units is based solely on the basis of the passage of time (and not the achievement of performance conditions), the awards must vest over a period of not less than three years; provided that the awards may vest more quickly in the event of (a) the holder's death, disability or retirement; (b) job loss due to workforce reduction, job elimination or divestiture; or (c) a change in control. Restricted stock or restricted stock units granted to recruit new key employees or for the retention of key employees acquired in a business combination may be awarded free of this vesting limitation. Unless otherwise stated in the award agreement, participants holding restricted stock or restricted stock units will have the rights to dividends or dividend equivalents, as applicable, during the restriction period. Such dividends or dividend equivalents will accrue during the restriction period and become payable when the restrictions lapse.

Performance Shares. The Board of Directors, upon the recommendations of the Compensation Committee, may grant performance shares. Performance shares represent the right of a participant to receive shares of Common Stock (or their cash equivalent) at a future date upon the achievement of performance goals established by the Compensation Committee. Performance shares may include the right to receive dividend equivalents. The amendment to the Plan would revise the timing of the receipt of any dividend equivalents. The amendment provides that any dividend equivalents would only be paid upon achievement of the performance goals.

Other Stock-Based Awards. The Board of Directors, upon the recommendations of the Compensation Committee, may grant other stock-based awards. An other stock-based award means any other type of equity-based or equity-related award not otherwise described above (including the award or offer for sale of unrestricted shares) in such amount and subject to such terms and conditions as the Compensation Committee shall determine. Other stock-based awards may involve the transfer of actual shares of Common Stock, or payment in cash or otherwise of amounts based on the value of shares of Common Stock.

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Qualified Performance-Based Awards. The Board of Directors, upon the recommendations of the Compensation Committee, may determine whether an award is to qualify as performance-based compensation (as described in Section 162(m) of the U.S. Code).

If the award is intended to qualify as qualified performance-based compensation under Section 162(m) of the U.S. Code, to the extent required by Section 162(m), the award must be conditioned solely on the achievement of one or more objective performance goals established by the Compensation Committee, within the time prescribed by Section 162(m), and must otherwise comply with the requirements of Section 162(m). The performance goals selected by the Compensation Committee may be based on the achievement of specified levels of one, or any combination, of the following performance criteria: (i) net earnings (either before or after (A) interest, (B) taxes, (C) depreciation and (D) amortization); (ii) gross or net sales or revenue; (iii) net income (either before or after taxes); (iv) operating profit; (v) cash flow (including, but not limited to, operating cash flow and free cash flow); (vi) return on assets; (vii) return on capital; (viii) return on stockholders' equity; (ix) return on sales; (x) gross or net profit or operating margin; (xi) costs; (xii) funds from operations; (xiii) expense; (xiv) working capital; (xv) earnings per share of Common Stock; (xvi) price per share of Common Stock; (xvii) regulatory ratings; (xviii) market share; (xix) growth in loans and/or other assets; (xx) growth in deposits; (xxi) various measures of credit quality; (xxii) customer satisfaction, based on specified objective goals or a Corporation-sponsored customer survey; (xxiii) employee satisfaction, based on specified objective goals or a Corporation-sponsored employee survey; (xxiv) economic value added measurements; (xxv) market share or market penetration with respect to specific designated products or services, product or service groups and/or specific geographic areas; (xxvi) total stockholder return; or (xxvii) increase in stock price; any of these criteria may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group.

The Compensation Committee or the Board, upon receiving the relevant recommendations from the Compensation Committee, if the award is intended to qualify as qualified performance-based compensation under Section 162(m), may, in its discretion, at the time of grant, specify in the award that one or more objectively determinable adjustments shall be made to one or more of the performance goals. Such adjustments may include any of the following: (i) items related to a change in accounting principle; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions; (vi) items attributable to the business operations of any entity acquired by the Corporation during the performance period; (vii) items related to the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under United States generally accepted accounting principles; (ix) non-cash valuation changes related to financial instruments accounted for at fair value; or (x) any other extraordinary item as the Compensation Committee (or the Board, as applicable) may consider appropriate.

The performance goal to be achieved during any performance period, the length of any performance period, the amount of any performance award granted, and the amount of any payment or transfer to be made pursuant to any award intended to qualify as performance-based compensation under Section 162(m) of the U.S. Code will be determined by the Compensation Committee. The Compensation Committee may decrease the amount payable pursuant to an award under the Plan that is intended to qualify as performance-based compensation under Section 162(m) of the U.S. Code; however, the Compensation Committee may not increase the amount.

Termination of Employment; Change in Control

The Plan, as amended, would include a new section to address the treatment of performance-based awards upon a termination of employment or change in control. The current Plan does not treat performance-based awards differently from other awards. The Plan, as amended, would provide the following treatment of outstanding vested and unvested awards if a participant's employment or service is terminated:

Death or Disability. In the event a participant dies while in the employ or service of the Corporation, or if the employment or service of a participant is terminated by reason of disability, any awards held by the

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participant other than performance-based awards will vest and may be exercised, as the case may be, by the participant (or his estate or beneficiary, in the case of death), within one year from the date of termination or, if shorter, the remaining term of the award.

Retirement or Change in Control. In the event that a participant's employment or service is terminated by reason of retirement, or if a participant is voluntarily or involuntarily terminated within one year after a change in control, any awards held by the participant other than performance-based awards will vest and may be exercised, as the case may be, within four months following the date of termination or, if shorter, the remaining term of the award.

For Cause or Other Voluntary Termination. In the event a participant's employment or service is terminated by the Corporation or any affiliate for cause, or if a participant voluntarily terminates employment (other than in connection with retirement or a change in control), any awards held by such participant that have not been exercised or that have not vested will be forfeited, other than performance-based awards, and cancelled upon such termination.

Other Termination Events. In the event a participant's employment or service is terminated for any other reason, awards held by the participant that have not been exercised or that have not vested other than performance-based awards will vest and may be exercised, within 90 days following the date of termination or, if shorter, the remaining term of the award; any awards that are not exercisable at the time of termination will be canceled upon such termination.

The Board of Directors, upon the recommendation of the Compensation Committee, may accelerate the vesting of any award held by a participant upon termination of employment. If awards are accelerated for reasons other than death, disability, retirement or change in control, the accelerated shares will be limited to 10% of the total number of shares authorized under the Plan.

The award agreement for any performance-based award will address the treatment of the award upon a change in control or termination for any reason.

Transferability

Plan awards may not be assigned or transferred other than by will or the laws of descent and distribution or to a beneficiary upon the death of a participant, and such awards or rights that may be exercisable must be exercised during the participant's lifetime only by the participant or his or her guardian or legal representative.

No Repricing of Options or SARs

The Board of Directors may not reprice any outstanding option or SAR, nor may the Board of Directors amend the Plan to permit repricing of options or SARs, without stockholder approval. The term "repricing" refers to amendments designed to reduce the exercise price of outstanding stock options or the base amount of outstanding SARs or the cancellation or substitution of outstanding stock options or SARs in exchange for other awards or stock options or SARs with an exercise price or base amount, as applicable, that is less than the exercise price or base amount, as applicable, of the original award. Adjustments to the exercise price or number of shares of Common Stock subject to an option or SAR to reflect the effects of a stock split or other corporate transaction will not constitute repricing.

Term, Termination and Amendment

The Plan became effective on March 13, 2008, and will expire on March 13, 2018, unless sooner terminated by the Board of Directors. The Board of Directors may amend, suspend or terminate the Plan at any time and from time to time, provided that any amendment that would: (i) increase the total number of shares available for issuance under the Plan; (ii) lower the minimum exercise price at which an option (or the base price of a SAR)

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may be granted; (iii) change the award limits with respect to ISOs or awards intended to qualify as qualified-performance based awards under Section 162(m) of the U.S. Code; or (iv) require stockholder approval under NYSE rules, will be subject to the approval of the Corporation's stockholders. No amendment or termination of the Plan may in any manner adversely affect any award previously granted under the Plan without the consent of the participant holding such award.

Absent additional stockholder approval, no award intended to qualify as performance-based compensation under Section 162(m) of the U.S. Code may be granted under the Plan after December 9, 2016.

Withholding Obligations

The Corporation and any affiliate have the right to require the recipient to pay the Corporation (or the affiliate) an amount necessary for the Corporation (or the affiliate) to satisfy its withholding and other tax obligations with respect to any award. As permitted by applicable law, the Corporation may withhold from other amounts payable to a recipient an amount necessary to satisfy these obligations, and the Compensation Committee may permit a participant to satisfy the Corporation's withholding obligation with respect to awards paid in Common Stock by having shares withheld, at the time the awards become taxable, provided that the number of shares of Common Stock withheld does not exceed the minimum applicable statutory withholding requirements.

Tax Information

The following is a general summary, as of the date of this proxy statement, of the Puerto Rico and U.S. federal income tax consequences that affect participants and the Corporation of awards under the Plan. This summary is intended for the information of stockholders considering how to vote at the meeting and not as tax guidance to participants in the Plan, as the consequences may vary with the types of grants made, the identity of the recipients and the method of payment or settlement. Each participant shall be encouraged to seek the advice of a qualified tax advisor regarding the tax consequences of participation in the Plan.

Puerto Rico Tax Consequences

Qualified Stock Options. A recipient of a QSO will not recognize income at the time of the grant or exercise of an option. On a subsequent sale or exchange of the shares acquired pursuant to the exercise of the QSO, the participant generally will have taxable long-term or short-term capital gain or loss, depending on whether the shares were held for more than six months. The long-term or short-term capital gain or loss will be determined by the difference between the amount realized on the disposition of such shares and the tax basis in such shares, which, in general, is the amount paid for exercise of the options. The Corporation will not be entitled to a tax deduction in connection with the grant, exercise or disposition by the participant of the QSO.

Nonqualified Stock Options. With respect to nonqualified stock options, a participant will recognize ordinary income, subject to tax withholding, at the time of grant of the nonqualified stock options if the option is transferable, not subject to substantial risk of forfeiture and has a readily ascertainable value. The amount of ordinary income that the participant will recognize in this case will be equal to the excess of the fair market value of the nonqualified stock option at the time of grant over the participant's cost, if any, and the same amount is deductible by the Corporation. If the nonqualified stock option is not transferable, is subject to substantial risk of forfeiture or has no readily ascertainable value, a participant will not recognize income at the time of grant of the nonqualified stock option but will generally recognize ordinary income, subject to tax withholding, at the time the participant exercises the nonqualified stock option and the shares of stock acquired upon such exercise are transferable without restrictions. The amount of ordinary income that will be recognized by the participant in this latter case is determined by the difference between the fair market value of the shares of stock on the date of exercise and the stock option exercise price. The Corporation will be entitled to a corresponding tax deduction in an amount equal to the income recognized by the participant.

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Stock Appreciation Rights. The grant of an SAR will not cause the participant to recognize income or entitle the Corporation to a deduction for Puerto Rico income tax purposes. Upon the exercise of an SAR, the participant will recognize income in the amount of the cash or value of shares payable to the participant on the exercise date, and the Corporation will be entitled to a corresponding tax deduction in an amount equal to the income recognized by the participant.

Stock and Stock Unit Awards. The Puerto Rico tax consequences with respect to restricted stock, restricted stock units, performance shares and other stock-based awards depend on the facts and circumstances of each award, including, in particular, the nature of any restrictions imposed with respect to the awards. In general, if the awards that are granted to the participant are subject to a substantial risk of forfeiture (e.g., the awards are conditioned upon the future performance of substantial services by the participant) and are nontransferable, a taxable event occurs when the risk of forfeiture ceases or the awards become transferable, whichever first occurs. At such time, the participant will recognize income to the extent of the excess of the fair market value of the awards on such date over the participant's cost for such awards (if any), and the same amount is deductible by the Corporation.

If the awards granted to the participant are not subject to a substantial risk of forfeiture or transferability restrictions, the participant will recognize income with respect to the awards to the extent of the excess of the fair market value of the awards at the time of grant over the participant's cost, if any, and the same amount is deductible by the Corporation.

U.S. Federal Tax Consequences

The federal tax consequences to participants depend on whether the participant resides in Puerto Rico, as described below.

Residents of Puerto Rico.

Recipients of options, SARs or grants of restricted stock, restricted stock units, performance shares and other stock-based awards, who perform services for the Corporation or its subsidiaries in Puerto Rico and are residents of Puerto Rico without interruption during the entire taxable years the services are performed and the taxable year in which the award would result in the recognition of taxable income but for the recipient's residency in Puerto Rico at that time, will not have any gross income for federal income tax purposes with respect to (1) the grant or the exercise of options or SARs or (2) the grant of, or payment of, or transfer with respect to, restricted stock, restricted stock units, performance shares and other stock-based awards.

U.S. Residents and Persons Performing Services in the United States.

Incentive Stock Options. Generally, a participant who is subject to U.S. tax laws will not recognize taxable income upon grant or exercise of an ISO and the Corporation and its subsidiaries will not be entitled to any tax deduction with respect to the grant or exercise of an ISO. However, upon the exercise of an ISO, the excess of the fair market value on the date of exercise of the shares received over the exercise price of the shares will be treated as an adjustment to alternative minimum taxable income. In order for the exercise of an ISO to qualify for the foregoing tax treatment, the participant must hold the shares upon exercise of an ISO for at least two years after the date of grant and for at least