

FIRST BANCORP /PR/  
Form 424B4  
November 30, 2016  
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Filed Pursuant to Rule 424(b)(4)  
Registration No. 333-209516

## PROSPECTUS SUPPLEMENT

(To Prospectus dated February 29, 2016)

### 18,000,000 Shares of Common Stock

The selling stockholders identified in this prospectus supplement are offering 18,000,000 shares of the common stock, \$0.10 par value per share ( Common Stock ), of First BanCorp. First BanCorp. will not receive any proceeds from the sale of the Common Stock by the Selling Stockholders. See Selling Stockholders.

Our Common Stock trades on the New York Stock Exchange ( NYSE ) under the symbol FBP. As of November 29, 2016, the closing sales price for our Common Stock on the NYSE was \$6.37 per share.

**Before making a decision regarding this offering, you are encouraged to read the Risk Factors section beginning on page S-3 of this prospectus supplement.**

	<b>Price to Public</b>	<b>Underwriting Discounts and Commissions</b>	<b>Proceeds to Selling Stockholders (1)</b>
Per share of Common Stock	\$ 5.60	\$ 0.238	\$ 5.362
Total	\$ 100,800,000	\$ 4,284,000	\$ 96,516,000

(1) See Underwriting beginning on page S-18 of this prospectus supplement for more information. The underwriters have the option to purchase up to an additional 2,700,000 shares of Common Stock from the Selling Stockholders at the public offering price less the underwriting discount, within 30 days from the date of this prospectus.

None of the U.S. Securities and Exchange Commission (the SEC ), or any securities regulatory authority of any state or the Commonwealth of Puerto Rico, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System or any other regulatory body has approved or disapproved of this offering or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about December 5, 2016.

*Joint Book-Running Managers*

**BofA Merrill Lynch**

**Goldman, Sachs & Co.**

**Citigroup**

**Sandler O'Neill + Partners, L.P.**

*Co-Managers*

**Keefe, Bruyette & Woods**

**Piper Jaffray**

*A Stifel Company*

The date of this prospectus supplement is November 30, 2016.

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**ABOUT THIS DOCUMENT**

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, provides more general information. Generally, when we refer to the prospectus, we are referring to both parts combined.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to First BanCorp. or we, us, our or similar references mean First BanCorp. together with its consolidated subsidiaries, references to the Corporation mean solely First BanCorp. and not its subsidiaries and references to the Bank or FirstBank mean FirstBank Puerto Rico.

We have not authorized anyone to provide you with information other than that contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any free writing prospectus relating to this offering of Common Stock. Neither we, nor the Selling Stockholders nor the underwriters take any responsibility for, and can provide any assurance as to the reliability of, any other information that others may give you. The Selling Stockholders are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or any free writing prospectus, or the information we previously filed with the SEC that is incorporated by reference herein, is accurate as of any date other than its respective date.

**INCORPORATION BY REFERENCE**

The SEC allows us to incorporate by reference into this prospectus the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. Any statement contained in a document incorporated by reference in this prospectus shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein, or in any subsequently filed document, which also is incorporated by reference herein, modifies or supersedes such earlier statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We hereby incorporate by reference into this prospectus the following documents that we have filed with the SEC:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2015;

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016;

Our Current Reports on Form 8-K filed with the SEC on March 22, 2016, May 25, 2016, September 22, 2016, and October 5, 2016;

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Our Definitive Proxy Statement on Schedule 14A for the year ended December 31, 2015, filed with the SEC on April 12, 2016, but only to the extent incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2015; and

The description of our capital stock as set forth in our Registration Statement on Form 8-A/A filed with the SEC on May 4, 2012.

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All documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), after the date of this prospectus and prior to the termination of the offering, are incorporated by reference in this prospectus from the date of filing of the documents. Information that we file with the SEC will automatically update and may replace information previously filed with the SEC.

You may request a copy of these filings, other than an exhibit to a filing (unless that exhibit is specifically incorporated by reference into that filing), at no cost, by writing to us at the following address: First BanCorp., Attention: Lawrence Odell, Secretary, P.O. Box 9146, San Juan, Puerto Rico, 00908-0146. Telephone requests may be directed to (787) 729-8109. E-mail requests may be directed to lawrence.odell@firstbankpr.com. You may also access this information on our website at www.firstbankpr.com by viewing the SEC Filings subsection of the Investor Relations menu. No information on our website is deemed to be part of or incorporated by reference into this prospectus. We have included our website address in this prospectus solely as an inactive textual reference.

**FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this prospectus, the word or phrases would be, will allow, intends to, will likely result, expected to, should, anticipate, and similar expressions are meant to identify forward-looking statements. Such forward-looking statements speak only as of the date made, and various factors, including but not limited to, the following, could cause actual results to differ materially from those expressed in, or implied by such forward-looking statements :

the ability of the Puerto Rico government or any of its public corporations or other instrumentalities to repay its respective debt obligations, including the effect of recent payment defaults on the Puerto Rico government general obligations, bonds of the Government Development Bank for Puerto Rico (the GDB ) and certain bonds of government public corporations, and recent and any future downgrades of the long-term and short-term debt ratings of the Puerto Rico government, which could exacerbate Puerto Rico s adverse economic conditions and, in turn, further adversely impact the Corporation;

uncertainty as to the ultimate outcomes of actions resulting from the enactment by the U.S. government of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) to address Puerto Rico s financial problems;

uncertainty about whether the Corporation will be able to continue to fully comply with the written agreement dated June 3, 2010 (the Written Agreement ) that the Corporation entered into with the Federal Reserve Bank of New York (the New York FED or Federal Reserve ) that, among other things, requires the Corporation to serve as a source of strength to FirstBank Puerto Rico ( FirstBank or the Bank ) and that, except with the consent generally of the New York FED and the Board of Governors of the Federal Reserve System (the Federal Reserve Board ), prohibits the Corporation from paying dividends to stockholders or receiving dividends from FirstBank, making payments on trust preferred securities or subordinated debt and incurring, increasing or guaranteeing debt or repurchasing any capital securities and uncertainty whether such consent will be provided for future interest payments on the subordinated debt despite the consent that enabled the Corporation to pay all the accrued but deferred interest payments plus the interest for the second and third quarters of 2016 on the Corporation s subordinated

debentures associated with its trust preferred securities;

uncertainty as to whether FirstBank will be able to continue to satisfy its agreement with its regulators, including regarding FirstBank's asset quality, liquidity plan, maintenance of capital levels and compliance with applicable laws, regulations and related requirements;

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a decrease in demand for the Corporation's products and services and lower revenues and earnings because of the continued recession in Puerto Rico;

uncertainty as to the availability of certain funding sources, such as retail brokered certificates of deposit ( brokered CDs );

the Corporation's reliance on brokered CDs to fund operations and provide liquidity;

the risk of not being able to fulfill the Corporation's cash obligations or resume paying dividends to the Corporation's stockholders in the future due to the Corporation's need to receive approval from regulators to declare or pay any dividends and to take dividends or any other form of payment representing a reduction in capital from FirstBank or FirstBank's failure to generate sufficient cash flow to make a dividend payment to the Corporation;

the weakness of the real estate markets and of the consumer and commercial sectors and their impact on the credit quality of the Corporation's loans and other assets, which have contributed and may continue to contribute to, among other things, high levels of non-performing assets, charge-offs and provisions for loan and lease losses and may subject the Corporation to further risk from loan defaults and foreclosures;

the ability of FirstBank to realize the benefits of its deferred tax assets subject to the remaining valuation allowance;

adverse changes in general economic conditions in Puerto Rico, the U.S., and the U.S. Virgin Islands ( USVI ) and British Virgin Islands ( BVI ), including the interest rate environment, market liquidity, housing absorption rates, real estate prices, and disruptions in the U.S. capital markets, which reduced interest margins and affected funding sources, and has affected demand for all of the Corporation's products and services and reduced the Corporation's revenues and earnings, and the value of the Corporation's assets, and may continue to have these effects;

an adverse change in the Corporation's ability to attract new clients and retain existing ones;

the risk that additional portions of the unrealized losses in the Corporation's investment portfolio are determined to be other-than-temporary, including additional impairments on the Puerto Rico government's obligations;

uncertainty about regulatory and legislative changes for financial services companies in Puerto Rico, the U.S., the USVI and the BVI, which could affect the Corporation's financial condition or performance and could cause the Corporation's actual results for future periods to differ materially from prior results and anticipated or projected results;



changes in the fiscal and monetary policies and regulations of the U.S. federal government and the Puerto Rico and other governments, including those determined by the Federal Reserve Board, the New York FED, the Federal Deposit Insurance Corporation ( FDIC ), government-sponsored housing agencies, and regulators in Puerto Rico, the USVI and the BVI;

the risk of possible failure or circumvention of controls and procedures and the risk that the Corporation s risk management policies may not be adequate;

the risk that the FDIC may increase the deposit insurance premium and/or require special assessments to replenish its insurance fund, causing an additional increase in the Corporation s non-interest expenses;

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the impact on the Corporation's results of operations and financial condition of acquisitions and dispositions;

a need to recognize impairments on the Corporation's financial instruments, goodwill or other intangible assets relating to acquisitions;

the risk that downgrades in the credit ratings of the Corporation's long-term senior debt will adversely affect the Corporation's ability to access necessary external funds;

the impact on the Corporation's businesses, business practices and results of operations of a potential higher interest rate environment; and

general competitive factors and industry consolidation.

We do not undertake, and specifically disclaim any obligation, to update any of the forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements except as required by the federal securities laws.

Investors should refer to the Risk Factors section of this prospectus supplement for a discussion of factors and certain risks and uncertainties to which we are subject.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary does not contain all of the information you should consider before investing in our Common Stock. This prospectus includes or incorporates by reference information about the shares of Common Stock being offered hereby as well as information regarding our business and detailed financial data. Before you decide to invest in our Common Stock, you should read the entire prospectus carefully, including the Risk Factors section and any information incorporated by reference herein.*

**Our Company**

First BanCorp. is a publicly owned financial holding company that is subject to regulation, supervision and examination by the Federal Reserve Board. The Corporation was incorporated under the laws of the Commonwealth of Puerto Rico to serve as the bank holding company for FirstBank. The Corporation is a full service provider of financial services and products with operations in Puerto Rico, the United States and the USVI and BVI. As of September 30, 2016, the Corporation had total assets of \$12.1 billion, total deposits of \$9.0 billion and total stockholders' equity of \$1.8 billion.

The Corporation provides a wide range of financial services for retail, commercial and institutional clients. As of September 30, 2016, the Corporation controlled two wholly owned subsidiaries: FirstBank and FirstBank Insurance Agency, Inc. (FirstBank Insurance Agency). FirstBank is a Puerto Rico-chartered commercial bank, and FirstBank Insurance Agency is a Puerto Rico-chartered insurance agency.

FirstBank is subject to the supervision, examination and regulation of both the Office of the Commissioner of Financial Institutions and the FDIC. Deposits are insured through the FDIC Deposit Insurance Fund. In addition, within FirstBank, the Bank's USVI operations are subject to regulation and examination by the United States Virgin Islands Banking Board; its BVI operations are subject to regulation by the British Virgin Islands Financial Services Commission; and its operations in the state of Florida are subject to regulation and examination by the Florida Office of Financial Regulation and the FDIC. FirstBank is required to maintain capital at specified levels pursuant to applicable law and its agreement with its regulators and currently exceeds all minimum capital requirements. The Consumer Financial Protection Bureau regulates FirstBank's consumer financial products and services. FirstBank Insurance Agency is subject to the supervision, examination and regulation of the Office of the Insurance Commissioner of the Commonwealth of Puerto Rico and operates three offices in Puerto Rico, and two offices in the USVI and BVI.

FirstBank conducts its business through its main office located in San Juan, Puerto Rico, 48 banking branches in Puerto Rico as of September 30, 2016, 12 branches in the USVI and BVI, and 11 branches in the state of Florida (USA). As of September 30, 2016, FirstBank has 6 wholly owned subsidiaries with operations in Puerto Rico: First Federal Finance Corp. (d/b/a Money Express La Financiera), a finance company specializing in the origination of small loans with 28 offices in Puerto Rico; First Management of Puerto Rico, a domestic corporation, which holds tax-exempt assets; FirstBank Puerto Rico Securities Corp., a broker-dealer subsidiary engaged in municipal securities underwriting and selling for local Puerto Rico municipal bond issuers and other investment bearing activities, such as advisory services, capital raise efforts on behalf of clients and assist in financial transaction structuring; FirstBank Overseas Corporation, an international banking entity organized under the International Banking Entity Act of Puerto Rico; and two other companies that hold and operate certain particular other real estate owned properties.

Our principal executive offices are located at 1519 Ponce de Leon Avenue, Stop 23, Santurce, Puerto Rico, and our telephone number is (787) 729-8200.

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**The Offering**

Common Stock offered to the public by the Selling Stockholders	9,000,000 shares by THL and 9,000,000 shares by Oaktree (each as defined below).
Selling Stockholders	Certain entities affiliated with Thomas H. Lee Partners, L.P. ( THL ), and certain funds managed by Oaktree Capital Management, L.P. ( Oaktree and, together with THL, the Selling Stockholders ). See Selling Stockholders.
Dividend Policy	The Corporation does not currently pay dividends on its Common Stock.
Common Stock outstanding after this Offering <sup>(1)</sup>	217,419,933 shares
Option to Purchase Additional Shares of Common Stock	2,700,000 million shares, if the option to purchase from the Selling Stockholders is exercised in full.
Common Stock to be held by the Selling Stockholders after this Offering <sup>(1)</sup>	THL and Oaktree will each own 15.1% (14.5% if the underwriters exercise in full their option to purchase additional shares) of our outstanding shares of Common Stock.
Risk Factors	See Risk Factors beginning on page S-3 of this prospectus supplement.
Use of Proceeds	We will not receive any proceeds from the sale of shares of Common Stock by the Selling Stockholders.
U.S. Federal Income Tax Consequences	See U.S. Federal and Puerto Rico Income Tax Consequences U.S. Federal Income Tax Consequences beginning on page S-9.
Certain Puerto Rico Income Tax Considerations	See U.S. Federal and Puerto Rico Income Tax Consequences Certain Puerto Rico Tax Considerations beginning on page S-12.
New York Stock Exchange symbol	FBP

- <sup>1</sup> The number of shares of Common Stock that will be outstanding after this offering is based on the number of shares of our Common Stock outstanding as of October 31, 2016.

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**RISK FACTORS**

Investing in our Common Stock involves certain risks. You should carefully consider the risks described in our annual, quarterly and current reports filed with the SEC under the Exchange Act, which are incorporated by reference into this prospectus supplement, before you decide to acquire any of the shares of Common Stock being offered by the Selling Stockholders. Before making an investment decision, you should carefully consider these risks as well as other information that we include or incorporate by reference in this prospectus supplement and the accompanying prospectus. You should also be aware that new risks may emerge in the future at any time, and we cannot predict such risks or estimate the extent to which they may affect our financial condition or performance. If any of such risks actually occur, our business, financial condition, results of operations and future growth prospects would likely be materially and adversely affected. In these circumstances, the market price of our Common Stock could decline, and you could lose all or part of your investment.

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**USE OF PROCEEDS**

We will not receive any proceeds from the sale of the shares of Common Stock by the Selling Stockholders.

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**SELLING STOCKHOLDERS**

The table below sets forth beneficial ownership information for the Selling Stockholders immediately prior to this offering and after giving effect to this offering. Except as described below, the Selling Stockholders have not held any position or office or had any other material relationship with us or any of our predecessors or affiliates within the past three years. As of October 31, 2016, and including the shares offered hereby, THL beneficially owns an aggregate of 41,901,734 shares of our Common Stock and Oaktree beneficially owns an aggregate of 41,901,733 shares of our Common Stock and each of THL and Oaktree has designated one director to serve on our Board of Directors (the Board ).

As noted in footnotes to the table below, two of the Oaktree entities are affiliates of broker-dealers. Each Selling Stockholder that is an affiliate of a broker-dealer purchased the shares being registered for resale in the ordinary course of business and at the time of the purchase had no agreements or understandings, directly or indirectly, with any person to distribute the securities.

The following is a description of key provisions of and actions taken pursuant to our investment agreements with THL and Oaktree, as amended:

In October 2011, we reimbursed THL and an affiliate of Oaktree Capital Management, L.P. \$4 million each for expenses incurred in connection with their purchase of shares of Common Stock in our \$525 million capital raise, completed in October 2011 (the capital raise ).

Each of THL and Oaktree has 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 acquired in connection with the capital raise, or 12,671,121 shares. Consistent with our agreements with THL and Oaktree, respectively, we appointed Thomas M. Hagerty and Michael P. Harmon as directors in October 2011.

We agreed to use our best efforts to nominate two additional directors to the Board so that a majority of our directors will be either investor designees or independent directors with banking or related financial management expertise. In this regard, in October 2012, the Board elected Robert T. Gormley to serve as a director until the next annual meeting of stockholders and Mr. Gormley continues to serve as a director. In September 2013, the Board elected David I. Matson to serve as a director until the next annual meeting of stockholders and Mr. Matson continues to serve as a director.

On September 16, 2016, THL notified the Corporation that, pursuant to the terms of the Corporation's investment agreement with THL and subject to required regulatory approvals, it had designated Joshua D. Bresler to replace Thomas M. Hagerty as THL's representative on the Corporation's Board. On September 29, 2016, the Board elected Mr. Bresler to serve as an independent member of the Corporation's Board, subject to regulatory approval (which is pending).

THL and Oaktree have certain indemnification rights.

Each of THL and Oaktree may 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 acquired in connection with the capital raise, 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

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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.

Name of Selling Stockholder	Beneficial Ownership Prior to the Offering		Number of Shares Registered Number of Shares (1)	Number of Shares Being Offered Number of Shares	Beneficial Ownership After the Offering	
	Number of Shares (1)	Percent (2)			Number of Shares (1)	Percent (2)
Thomas H. Lee (Alternative) Fund VI, L.P. (3)	23,011,234	10.58%	23,011,234	4,949,412	18,061,822	8.31%
Thomas H. Lee (Alternative) Parallel Fund VI, L.P. (3)	15,581,983	7.17%	15,581,983	3,351,478	12,230,505	5.63%
Thomas H. Lee (Alternative) Parallel (DT) Fund VI, L.P. (3)	2,721,860	1.25%	2,721,860	585,436	2,136,424	*
THL FBC Equity Investors, L.P. (3)	528,505	*	528,505	113,674	414,831	*
Oaktree Principal Fund V (Delaware), L.P. (4)	34,617,194	15.92%	34,617,194	7,445,700	27,171,494	12.50%
Oaktree FF Investment Fund AIF (Delaware), L.P. (4)	7,226,387	3.32%	7,226,387	1,554,300	5,672,087	2.61%

\* Less than 1 percent

- (1) In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner, for purposes of this table, of any Common Stock over which such person has voting or investment power or of which such person has the right to acquire beneficial ownership within 60 days of October 31, 2016.
- (2) The percentage of shares beneficially owned is calculated based on the number of shares outstanding as of October 31, 2016, which was 217,419,933 shares. In computing the percentage of shares beneficially owned, any shares which the person has a right to acquire within 60 days after October 31, 2016 are deemed outstanding for the purpose of computing the percentage of Common Stock beneficially owned by that person but are not deemed outstanding for the purpose of computing the percentage of shares beneficially owned by any other person.
- (3) Thomas H. Lee Advisors (Alternative) VI, Ltd. is the general partner of Thomas H. Lee Advisors (Alternative) VI, L.P., which is the general partner of each of: Thomas H. Lee (Alternative) Fund VI, L.P.; Thomas H. Lee (Alternative) Parallel Fund VI, L.P.; Thomas H. Lee (Alternative) Parallel (DT) Fund VI, L.P.; and THL FBC

Equity Investors, L.P. (collectively, the THL Funds ). Voting and investment determinations with respect to the securities held by the THL Funds are made by a private equity management committee (the THL Committee ) consisting of Todd M. Abbrecht, Anthony J. DiNovi, Thomas M. Hagerty, Soren L. Oberg, Scott M. Sperling and Kent R. Weldon, and, such persons may be deemed to share beneficial ownership of the securities held or controlled by the THL Funds. The above share numbers do not include the amount of shares of Common Stock and shares of restricted stock held by THL s Board representative and THL Managers VI, LLC, which amount represents less than 1% of the outstanding shares. The THL Funds and each member of the THL Committee disclaim beneficial ownership of all shares reported herein except to the extent of their respective pecuniary interest therein.

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- (4) Each of Oaktree Principal Fund V (Delaware), L.P. (the PF V Fund ) and Oaktree FF Investment Fund AIF (Delaware), L.P. (the AIF Fund ) has indicated that it is an affiliate of a broker-dealer. Each of the PF V Fund and the AIF Fund may be deemed to share voting and investment power with several other affiliated entities of Oaktree. The above share numbers do not include the amount of shares of Common Stock and shares of restricted stock held by Oaktree's Board representative, which amount represents less than 1% of the outstanding shares. Oaktree's Board representative holds such shares for the benefit of OCM FIE, LLC.

The PF V Fund may share voting and investment power with Oaktree Capital Group Holdings GP, LLC ( OCGH GP ), in its capacity as the manager of Oaktree Capital Group, LLC ( OCG ), 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.

The AIF Fund may share voting and investment power with 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 controlling shareholder of Oaktree AIF Holdings, Inc. ( Oaktree AIF Holdings ), 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 managing 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.

OCGH GP is managed by an executive committee, the members of which are Howard S. Marks, Bruce A. Karsh, Jay S. Wintrob, John B. Frank, David M. Kirchheimer, Sheldon M. Stone and Stephen A. Kaplan (the OCGH GP Members ). The OCGH GP Members make investment and voting decisions with respect to the shares reported herein. Michael P. Harmon, the Board representative for Oaktree, may be deemed to share voting and investment power with respect to the shares owned by the PF V Fund and the AIF Fund. Each Oaktree Entity, each OCGH GP Member, and Mr. Harmon disclaim beneficial ownership of all shares reported herein except to the extent of their respective pecuniary interest therein.

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Our Common Stock is currently listed on the NYSE under the symbol **FBP**. As of October 31, 2016, we had 217,419,933 shares of our Common Stock outstanding, held by approximately 493 holders of record. On November 29, 2016, the closing sale price of our Common Stock on the NYSE was \$6.37 per share.

The following table sets forth, for the periods indicated, the high and low sales prices per share of the Common Stock. Cash dividends on our Common Stock have been suspended since August 2009. The following table sets forth the quarterly high and low sales prices of our Common Stock on the NYSE for the periods indicated:

	<b>Share prices</b>	
	<b>High</b>	<b>Low</b>
<b>2016</b>		
Fourth Quarter through November 29, 2016	\$ 6.84	\$ 4.78
Third Quarter ended September 30, 2016	\$ 5.26	\$ 3.82
Second Quarter ended June 30, 2016	\$ 4.62	\$ 2.52
First Quarter ended March 31, 2016	\$ 3.23	\$ 2.06
<b>2015</b>		
Fourth Quarter ended December 31, 2015	\$ 4.49	\$ 3.06
Third Quarter ended September 30, 2015	\$ 4.89	\$ 3.15
Second Quarter ended June 30, 2015	\$ 6.74	\$ 4.82
First Quarter ended March 31, 2015	\$ 6.74	\$ 5.27
<b>2014</b>		
Fourth Quarter ended December 31, 2014	\$ 5.89	\$ 4.56
Third Quarter ended September 30, 2014	\$ 5.57	\$ 4.75
Second Quarter ended June 30, 2014	\$ 5.66	\$ 4.87
First Quarter ended March 31, 2014	\$ 6.04	\$ 4.42

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**U.S. FEDERAL AND PUERTO RICO INCOME TAX CONSEQUENCES**

The following discussion describes the material United States federal income and Puerto Rico tax consequences of the ownership and disposition of shares of our Common Stock.

**U.S. Federal Income Tax Consequences**

The following discussion describes the material United States federal income tax consequences to U.S. Holders (as defined below), Puerto Rico Holders (as defined below), and Puerto Rico corporations (as defined below), collectively, the Holders of the ownership and disposition of shares of Common Stock.

You are a U.S. Holder if you are a beneficial owner of shares of Common Stock and you are:

an individual citizen or resident of the United States;

a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate whose income is subject to United States federal income tax regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons, as defined in the U.S. Internal Revenue Code of 1986, as amended (the U.S. Code), have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

The term U.S. Holder does not include Puerto Rico Holders nor does it include Puerto Rico corporations. As used herein, the term Puerto Rico Holder means an individual holder who is a bona fide resident of Puerto Rico during the entire taxable year within the meaning of Sections 933 and 937 of the U.S. Code. Puerto Rico corporations are corporations created or organized in or under the laws of Puerto Rico.

The following discussion is based upon the provisions of the U.S. Code, regulations promulgated by Treasury thereunder, and administrative rulings and judicial decisions, in each case as of the date hereof. These authorities are subject to differing interpretations and may be changed, perhaps retroactively, resulting in United States federal income tax consequences different from those discussed below. We have not sought any ruling from the IRS with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with such statements and conclusions. We believe that we are not a passive foreign investment company ( PFIC ) for U.S. federal income tax purposes and we do not expect to become a PFIC in the foreseeable future, and the remainder of the discussion assumes this treatment. Further, this discussion also assumes that the shares of Common Stock are held as capital assets within the meaning of Section 1221 of the U.S. Code. In addition, this discussion does not address all tax considerations that may be applicable to your particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

banks, insurance companies or other financial institutions;

regulated investment companies;

real estate investment trusts;

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dealers in securities or commodities;

Puerto Rico corporations that are controlled foreign corporations;

Puerto Rico corporations that are passive foreign investment companies;

U.S. expatriates;

persons deemed to own 10% or more of our voting stock;

traders in securities that elect to use a mark-to-market method of accounting for securities holdings;

tax-exempt organizations;

persons liable for alternative minimum tax;

persons that hold shares of Common Stock in connection with a trade or business outside the United States;

persons that hold shares of Common Stock as part of a straddle or a hedging or conversion transaction; or

U.S. Holders whose functional currency is not the United States dollar.

If a partnership (including any entity treated as a partnership for United States federal income tax purposes) owns shares of Common Stock, the United States federal tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Such a partner or partnership is urged to consult its own tax advisor as to the United States federal income tax consequences of the ownership and disposition of shares of Common Stock.

You are urged to consult your own tax advisor regarding the United States federal, state, local, non-U.S. and other tax consequences of the ownership and disposition of shares of Common Stock.

**Common Stock**

***Dividends on Common Stock***

*General*

Under the current source of income rules of the U.S. Code, dividends on shares of our Common Stock will constitute gross income from sources outside the United States if less than 25% of First BanCorp's gross income for a specified three-year testing period preceding the dividend is effectively connected with a trade or business in the United States. First BanCorp does not believe that, for any of its taxable years beginning with its formation, 25% or more of its gross income has been effectively connected with a trade or business in the United States nor does it expect that 25% or more of its gross income will be effectively connected with a trade or business in the United States in any future taxable years. Accordingly, dividends paid on shares of our Common Stock will constitute gross income from sources outside the United States as long as First BanCorp continues to meet the gross income test described above. The following discussion regarding holders of our Common Stock assumes that dividends will constitute income from sources outside the United States.

*U.S. Holders*

In general, distributions with respect to our Common Stock, including the amount of any Puerto Rico taxes withheld on the distribution, will constitute dividends to the extent made out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current

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and accumulated earnings and profits, the excess will be treated as a non-taxable return of capital to the extent of your tax basis in Common Stock and thereafter as capital gain from the sale or exchange of such Common Stock. However, because First BanCorp does not maintain calculations of its earnings and profits under U.S. federal income tax principles, the entire amount of any distribution generally will be reported as dividend income to U.S. Holders. A U.S. corporation cannot deduct dividends received from us because the dividends-received deduction provided in Section 243 of the U.S. Code is not available. Subject to applicable limitations, dividends received by certain non-corporate U.S. Holders, including individuals, qualify for preferential rates of taxation.

Subject to certain conditions and limitations contained in the U.S. Code, any Puerto Rico income tax imposed on dividends distributed by First BanCorp in accordance with Puerto Rico income tax law may be eligible for credit against the U.S. Holder's U.S. federal income tax liability. For purposes of calculating a U.S. Holder's U.S. foreign tax credit, dividends distributed by First BanCorp will be income from sources outside the United States, and, depending on the U.S. Holder's circumstances, will be either passive category income or general category income. The rules governing the foreign tax credit are complex. You are urged to consult your own tax advisor regarding the availability of, and any limitation on, the foreign tax credit under your particular circumstances (including where any withheld Puerto Rico tax could be refundable to you). In lieu of claiming a foreign tax credit, U.S. Holders may, at their election, deduct foreign taxes, including the Puerto Rico tax, in computing their taxable income, subject to generally applicable limitations under the U.S. Code. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year.

### *Puerto Rico Holders*

In general, distributions of dividends made by First BanCorp on the shares of our Common Stock to a Puerto Rico Holder will constitute gross income from sources within Puerto Rico and will not be includible in the Puerto Rico Holder's gross income for, and will be exempt from, U.S. federal income taxation. In addition, for U.S. federal income tax purposes, no deduction or credit will be allowed that is allocable to or chargeable against amounts so excluded from the Puerto Rico Holder's gross income.

### *Puerto Rico corporations*

In general, distributions of dividends made by First BanCorp on the shares of our Common Stock to a Puerto Rico corporation will not, in the hands of the Puerto Rico corporation, be subject to U.S. federal income tax if the dividends are not effectively connected with a United States trade or business of the Puerto Rico corporation. The U.S. Code provides special rules for Puerto Rico corporations that are, or that would be but for the application of such special rules, Controlled Foreign Corporations or Passive Foreign Investment Companies for U.S. federal income tax purposes.

## ***Gain on Disposition of Common Stock***

### *General*

Upon the sale or other disposition of Common Stock, you will generally realize capital gain or loss for United States federal income tax purposes equal to the difference between the value of the amount that you realize and your tax basis in the particular shares of Common Stock.

### *U.S. Holders*

The capital gain realized by a non-corporate U.S. Holder upon a sale or other disposition of the Common Stock is generally taxed at preferential rates where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

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### *Puerto Rico Holders*

In general, gain from the sale or other disposition of shares of our Common Stock by a Puerto Rico Holder will constitute income from sources within Puerto Rico, and will not be includible in such stockholder's gross income for, and will be exempt from, U.S. federal income taxation. Also, no deduction or credit will be allowed that is allocable to or chargeable against amounts so excluded from the Puerto Rico Holder's gross income. Note, special rules apply to individuals who become Puerto Rico Holders after purchasing our Common Stock for U.S. federal income tax purposes.

### *Puerto Rico corporations*

In general, any gain derived by a Puerto Rico corporation from the sale or exchange of Common Stock will not be subject to U.S. federal income tax if the gain is not effectively connected with a United States trade or business of the Puerto Rico corporation. The U.S. Code provides special rules for Puerto Rico corporations that are, or that would be but for the application of such special rules, Controlled Foreign Corporations or Passive Foreign Investment Companies for U.S. federal income tax purpose.

## **Information Reporting**

For non-corporate U.S. Holders information reporting requirements, on Internal Revenue Service Form 1099, generally will apply to payments of (a) dividends and (b) proceeds from the sale of shares of our Common Stock, when such payments are considered effected at a United States office of a broker or by a United States payer or middleman.

Certain U.S. Holders who are individuals or that are closely-held by individuals or Puerto Rico Holders who own specified foreign financial assets, within the meaning of Section 6038D of the U.S. Code, may be required to report information with respect to such assets with their tax returns on Form 8938 for any year in which the aggregate value of all specified foreign financial assets exceeds certain thresholds, subject to certain exceptions, including an exception for shares held in custodial accounts maintained financial institutions (in which case the accounts may be reportable if maintained by non-U.S. financial institutions). Failure to report information required under this legislation could result in substantial penalties. Such individuals are urged to consult their tax advisors as to the application of this legislation to their ownership of the Common Stock.

## **Backup Withholding**

Backup withholding may apply to a payment subject to information reporting to a non-corporate U.S. Holder or a Puerto Rico Holder if such holder fails to provide an accurate taxpayer identification number, or if the paying agent is notified by the IRS that the holder has failed to report all interest and dividends required to be shown on federal income tax returns, or in certain circumstances, if the holder fails to comply with applicable certification requirements. Backup withholding is not an additional tax and amounts withheld under the backup withholding rules will be allowed as a refund or credit against such holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

## **Net Investment Income Tax**

An additional 3.8% tax is imposed on certain net investment income, including ordinary dividends and capital gains of certain non-corporate U.S. Holders whose modified adjusted gross income exceeds a threshold amount.

**Certain Puerto Rico Tax Considerations**

This discussion is based on the provisions of the Puerto Rico Internal Revenue Code of 2011, as amended (the PR Code ), and other tax laws of Puerto Rico as in effect on the date of this prospectus, as well as regulations, administrative pronouncements and judicial decisions available on or before such date and now in

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effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this discussion.

You are urged to consult your own tax advisor as to the application to your particular situation of the tax considerations discussed below, as well as the application of any state, local, foreign or other tax. In addition, the following discussion does not intend to address all aspects of Puerto Rico taxation that may be applicable to your particular situation or to holders subject to special rules of taxation, such as financial institutions, registered investment companies, life insurance companies, partnerships, special partnerships, corporations of individuals, and estates and trusts.

For purposes of the following discussion, the term *Puerto Rico corporation* is used to refer to a corporation organized under the laws of Puerto Rico and the term *Foreign Corporation* is used to refer to a corporation organized under the laws of a jurisdiction other than Puerto Rico.

If a partnership (including any entity treated as a partnership for Puerto Rico income tax purposes) owns shares of Common Stock, the Puerto Rico tax treatment of a partner in a partnership generally will depend upon the status of the partner and the activities of the partnership. Such partner or partnership is urged to consult its own tax advisor as to the Puerto Rico income tax consequences of the ownership of the shares of Common Stock.

## **Common Stock**

### *Dividends on Common Stock*

#### *General*

Distributions of cash or other property made by First BanCorp on the shares of our Common Stock will be treated as dividends to the extent that First BanCorp has current or accumulated earnings and profits. To the extent that a distribution exceeds First BanCorp's current and accumulated earnings and profits, the distribution will be applied against and reduce the adjusted Puerto Rico income tax basis of the shares of our Common Stock in the hands of the holder. The excess of any distribution of this type over the adjusted Puerto Rico income tax basis will be treated as gain on the sale or exchange of the shares of our Common Stock and will be subject to income tax as described below.

The following discussion regarding the income taxation of dividends on shares of our Common Stock received by individuals not residents of Puerto Rico and foreign corporations assumes that dividends will constitute income from sources within Puerto Rico. Generally, a dividend declared by a Puerto Rico corporation will constitute income from sources within Puerto Rico unless the corporation derived less than 20% of its gross income from sources within Puerto Rico for the three taxable years preceding the year of the declaration. First BanCorp. has represented that it has derived more than 20% of its gross income from Puerto Rico sources on an annual basis since inception.

#### *Individuals Resident of Puerto Rico and Puerto Rico corporations*

In general, individuals who are residents of Puerto Rico will be subject to a 15% Puerto Rico income tax on dividends paid on the shares of our Common Stock. This tax is generally required to be withheld by First BanCorp. Such individuals may elect for this withholding not to apply by providing us a written statement opting-out of such withholding provided the shares of our Common Stock are held in their names. If such individual holds the shares of our Common Stock in the name of a broker or other direct or indirect participant of DTC, the procedures described in *Special Withholding Tax Considerations* below should be followed for purposes of opting-out of the 15% Puerto Rico withholding tax. If the individual Puerto Rico resident opts-out of the 15% Puerto Rico withholding tax, he or she will

be required to include the amount of the dividend as ordinary income and will be subject to Puerto Rico income tax thereon at the normal income tax rates, which may be up to 33%. Even if the withholding is actually made, the individual may elect, upon filing his Puerto Rico income tax

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return for the year the dividend is paid, for the dividends to be taxed at the normal income tax rates applicable to individuals. In this case, the 15% Puerto Rico income tax withheld is creditable against the normal tax so determined.

Individuals resident of Puerto Rico are subject to alternative minimum tax ( AMT ) on the AMT Net Income if their regular tax liability is less than the alternative minimum tax liability. The AMT rates range from 10% to 24% depending on the AMT Net Income. At present, AMT applies with respect to individual taxpayers that have AMT Net Income of \$150,000 or more. The AMT Net Income includes various categories of tax-exempt income and income subject to preferential tax rates as provided in the PR Code, such as dividends on our Common Stock and long-term capital gains recognized on the disposition of our Common Stock.

Puerto Rico corporations will be subject to Puerto Rico income tax on dividends paid on the shares of our Common Stock at the normal corporate income tax rates, subject to the dividend received deduction. The dividend received deduction will be equal to 85% of the dividend received, but the deduction may not exceed 85% of the corporation's net taxable income. Based on the applicable maximum Puerto Rico normal corporate income tax rate of 39%, the maximum effective income tax rate on these dividends will be 5.85% after accounting for the dividend received deduction. In the case of Puerto Rico corporations, no Puerto Rico income tax withholding will be imposed on dividends paid on the shares of our Common Stock provided such shares are held in the name of the Puerto Rico corporation. If such Puerto Rico corporation holds the shares of our Common Stock in the name of a broker or other direct or indirect participant of DTC, then, a 15% Puerto Rico income tax withheld at source will be made on dividends paid on the shares of our Common Stock held on behalf of such Puerto Rico corporation unless the procedures described in Special Withholding Tax Considerations below are followed to certify to us through DTC that the beneficial owner of our Common Stock is a Puerto Rico corporation. If the withholding is actually made, the 15% Puerto Rico income tax withheld is creditable against the Puerto Rico income tax liability of the Puerto Rico corporation.

The AMT of Puerto Rico corporations is not affected by the receipt of dividends on the shares of our Common Stock.

*United States Citizens Not Residents of Puerto Rico*

Dividends paid on the shares of our Common Stock to a United States citizen who is not a resident of Puerto Rico will be subject to a 15% Puerto Rico income tax that will be withheld by First BanCorp. These individuals may also elect for the dividends to be taxed in Puerto Rico at the normal income tax rates applicable to individuals in the same way as Puerto Rico resident individuals. The 15% Puerto Rico income tax withheld is creditable against the normal income tax so determined by said individual stockholder. Provided the shares of our Common Stock are held in the name of these individual stockholders, no 15% Puerto Rico income tax withholding will be made if such individual stockholder opts out of the 15% withholding tax by providing us: (i) a written statement opting-out of such withholding; and (ii) a withholding exemption certificate to the effect that the individual's gross income from sources within Puerto Rico during the taxable year does not exceed \$3,500 if single or \$7,000 if married filing a joint return. If such United States citizen non-resident of Puerto Rico holds the shares of our Common Stock in the name of a broker or other direct or indirect participant of DTC, the procedures described in Special Withholding Tax Considerations below should be followed for purposes of opting-out of the 15% Puerto Rico withholding tax. If the United States citizen non-resident of Puerto Rico opts-out of the 15% Puerto Rico withholding tax, he or she will be required to include the amount of the dividend as ordinary income and will be subject to Puerto Rico income tax thereon at the normal income tax rates applicable to Puerto Rico resident individuals.

A United States citizen who is not a resident of Puerto Rico will be subject to Puerto Rico AMT as provided in the rules described under the heading Individuals Resident of Puerto Rico and Puerto Rico Corporations.

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### *Individuals Not Citizens of the United States and Not Residents of Puerto Rico*

Dividends paid on the shares of our Common Stock to any individual who is not a citizen of the United States and who is not a resident of Puerto Rico will generally be subject to a 15% Puerto Rico income tax which will be withheld at source by First BanCorp.

### *Foreign Corporations*

The Puerto Rico income taxation of dividends paid on the shares of our Common Stock to a foreign corporation will depend on whether or not the corporation is engaged in a trade or business in Puerto Rico.

A foreign corporation that is engaged in a trade or business in Puerto Rico will be subject to the normal corporate income tax rates and AMT applicable to Puerto Rico corporations on its net income that is effectively connected with the trade or business in Puerto Rico. This income will include net income from sources within Puerto Rico and certain items of net income from sources outside Puerto Rico that are effectively connected with the trade or business in Puerto Rico. Net income from sources within Puerto Rico will include dividends on the shares of our Common Stock. A foreign corporation that is engaged in a trade or business in Puerto Rico will be entitled to claim the 85% dividend received deduction discussed above in connection with dividends received from Puerto Rico corporations. No Puerto Rico income tax withholding will be imposed on dividends paid to foreign corporations engaged in a trade or business in Puerto Rico on the shares of our Common Stock provided such shares are held in the name of such foreign corporation. If such foreign corporation holds the shares of our Common Stock in the name of a broker or other direct or indirect participant of DTC, then, a 15% Puerto Rico income tax withheld at source will be made on dividends paid on the shares of our Common Stock held on behalf of such foreign corporation unless the procedures described in

Special Withholding Tax Considerations below are followed to certify to us through DTC that the beneficial owner of our Common Stock is a foreign corporation engaged in a trade or business in Puerto Rico. If the withholding is actually made, the 15% Puerto Rico income tax withheld is creditable against the Puerto Rico income tax liability of the foreign corporation.

In general, foreign corporations that are engaged in a trade or business in Puerto Rico are also subject to a 10% branch profits tax. However, dividends on the shares of our Common Stock received by these corporations will be excluded from the computation of the branch profits tax liability of these corporations.

A foreign corporation that is not engaged in a trade or business in Puerto Rico will be subject to a 10% Puerto Rico withholding tax on dividends received on the shares of our Common Stock. In order for the 10% Puerto Rico income tax withholding to apply, the shares of our Common Stock should be held in the name of the foreign corporation. If the shares of our Common Stock owned by the foreign corporation are held through DTC, a 15% Puerto Rico income tax withholding will be made and the foreign corporation may request a refund of the 5% excess withholding from the Puerto Rico Treasury Department.

### *Special Withholding Tax Considerations*

Payments of dividends to investors that hold their shares of our Common Stock in the name of a broker or other direct or indirect participant of DTC will be subject to a 15% Puerto Rico income tax withheld at source unless such investor, under the rules described above, is entitled to opt-out of such withholding if the shares would have been held in his name (such as individuals residents of Puerto Rico, Puerto Rico corporations, United States citizens not residents of Puerto Rico and foreign corporations engaged in a trade or business in Puerto Rico) and his broker or other direct or indirect participant of DTC certifies to First BanCorp through DTC that either (i) the holder of the shares of our Common Stock is a Puerto Rico corporation or a foreign corporation engaged in a trade or business in

Puerto Rico, or (ii) the holder of the shares of our Common Stock is an individual, estate or trust resident of Puerto Rico or a United States citizen not resident of Puerto Rico that has provided a written statement to the broker/dealer opting-out of such withholding. A United States citizen non-resident of Puerto Rico must also timely file with the broker/dealer a withholding exemption certificate to the

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effect that the individual's gross income from sources within Puerto Rico during the taxable year does not exceed \$3,500 if single or \$7,000 if married filing jointly.

### ***Gains on Disposition of Common Stock***

#### ***General***

The sale or exchange of shares of our Common Stock will give rise to gain or loss for Puerto Rico income tax purposes equal to the difference between the amount realized on the sale or exchange and the Puerto Rico income tax basis of the shares of our Common Stock in the hands of the holder. Any gain or loss that is required to be recognized will be a capital gain or loss if the shares of our Common Stock are held as a capital asset by the holder and will be a long-term capital gain or loss if the stockholder's holding period of the shares of our Common Stock exceeds one year.

#### ***Individuals Resident of Puerto Rico and Puerto Rico corporations***

Gain on the sale or exchange of shares of our Common Stock by an individual resident of Puerto Rico or a Puerto Rico corporation will generally be required to be recognized as gross income and will be subject to income tax. If the stockholder is an individual and the gain is a long-term capital gain, the gain will be taxable at a maximum rate of 15%. If the stockholder is a Puerto Rico corporation and the gain is a long-term capital gain, the gain will qualify for an alternative tax rate of 20%.

Individuals resident of Puerto Rico are subject to AMT on the AMT Net Income if their regular tax liability is less than the alternative minimum tax liability. The AMT rates range from 10% to 24% depending on the AMT Net Income. At present, AMT applies with respect to individual taxpayers that have AMT Net Income of \$150,000 or more. The AMT Net Income includes various categories of tax-exempt income and income subject to preferential tax rates as provided in the 2011 PR Code, such as dividends on our Common Stock and long-term capital gains recognized on the disposition of our Common Stock.

The AMT of Puerto Rico corporations is not affected by the recognition of long-term capital gains on the disposition of the shares of our Common Stock.

#### ***Individuals Not Residents of Puerto Rico***

Individuals who are not residents of Puerto Rico will not be subject to Puerto Rico income tax on the sale or exchange of shares of our Common Stock if the gain resulting therefrom constitutes income from sources outside Puerto Rico. Generally, the gain from the sale or exchange of shares of our Common Stock by individuals not residing in Puerto Rico constitutes income from sources outside Puerto Rico and, therefore, such gain is not subject to Puerto Rico income tax in the case of such individuals.

#### ***Foreign Corporations***

A foreign corporation that is engaged in a trade or business in Puerto Rico will generally be subject to Puerto Rico corporate income tax on any gain realized on the sale or exchange of shares of our Common Stock if the gain is (1) from sources within Puerto Rico, or (2) from sources outside Puerto Rico and effectively connected with a trade or business in Puerto Rico. Any such gain will qualify for an alternative tax of 20% if it qualifies as a long-term capital gain and will be included as gross revenues for purposes of the tax on the gross income component of the AMT.

In general, foreign corporations that are engaged in a trade or business in Puerto Rico will also be subject to a 10% branch profits tax. In the computation of this tax, any gain realized by these corporations on the sale or exchange of shares of our Common Stock and that is subject to Puerto Rico income tax will be taken into account. However, a deduction will be allowed in the computation for any income tax paid on the gain realized on the sale or exchange.

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A foreign corporation that is not engaged in a trade or business in Puerto Rico will not be subject to Puerto Rico income tax on any capital gain realized on the sale or exchange of our Common Stock since the gain from the sale or exchange of the Common Stock by such foreign corporation constitutes income from sources outside Puerto Rico.

### ***Estate and Gift Taxation***

The transfer of shares of our Common Stock by inheritance by a decedent who was a resident of Puerto Rico at the time of his or her death and did not own more than 10% of our stock (by value or vote) will not be subject to Puerto Rico estate tax if the decedent was not a citizen of the United States or a citizen of the United States who acquired his or her citizenship solely by reason of birth or residence in Puerto Rico. Likewise, the transfer of shares of our Common Stock by gift by an individual who is a resident of Puerto Rico at the time of the gift and did not own more than 10% of our stock (by value or vote) will not be subject to Puerto Rico gift tax. Other individuals are urged to consult their own tax advisors in order to determine the appropriate treatment for Puerto Rico estate and gift tax purposes of the transfer of the shares of our Common Stock by death or gift.

### ***Municipal License Taxation***

Individuals and corporations that are not engaged in a trade or business in Puerto Rico will not be subject to Puerto Rico municipal license tax on dividends paid on the shares of our Common Stock or on any gain realized on the sale, exchange or redemption of the shares of our Common Stock.

Individuals, residents or non-residents, and corporations, Puerto Rico or foreign, that are engaged in a trade or business in Puerto Rico will generally be subject to municipal license tax on dividends paid on the shares of our Common Stock and on the gain realized on the sale, exchange or redemption of the shares of our Common Stock if the dividends or gain are attributable to that trade or business. The municipal license tax is imposed on the volume of business of the taxpayer, and the tax rates vary by municipalities with the maximum rate being 1.5% in the case of financial businesses and 0.5% for other businesses.

### ***Property Taxation***

The shares of our Common Stock will not be subject to Puerto Rico property tax.

**Table of Contents****UNDERWRITING**

Under the terms and subject to the conditions contained in an underwriting agreement, the Selling Stockholders have agreed to sell to the underwriters named below, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. (together, the Representatives) are acting as representatives, the following respective numbers of shares:

<b>Underwriter</b>	<b>Number of Shares</b>
Goldman, Sachs & Co.	5,040,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	5,040,000
Citigroup Global Markets Inc.	2,880,000
Sandler O'Neill & Partners, L.P.	2,880,000
Keefe, Bruyette & Woods, Inc.	1,080,000
Piper Jaffray & Co.	1,080,000
<b>Total</b>	<b>18,000,000</b>

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of Common Stock in the offering if any are purchased, other than those shares covered by the option described below. The underwriting agreement also provides that, if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The Selling Stockholders have granted to the underwriters a 30-day option to purchase on a pro rata basis up to 2,700,000 additional outstanding shares at the initial public offering price less the underwriting discounts and commissions.

The underwriters propose to offer the shares initially at the public offering price on the cover page of this prospectus supplement and to offer the shares to selling group members at that price less a selling concession of \$0.14 per share. After the initial public offering, the underwriters may change the public offering price and concession and discount to broker/dealers.

The following table summarizes the compensation and estimated expenses we and the Selling Stockholders will pay:

	<b>Per Share</b>		<b>Total</b>	
	<b>Without Option</b>	<b>With Option</b>	<b>Without Option</b>	<b>With Option</b>
Underwriting Discounts and Commissions paid by the Selling Stockholders	\$ 0.238	\$ 0.238	\$ 4,284,000	\$ 4,926,600

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately \$800,000.



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We have agreed that we will not offer, sell, issue, contract to sell, pledge, grant any option, warrant or right to purchase or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our Common Stock or securities convertible into or exchangeable or exercisable for any shares of our Common Stock, or enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our Common Stock, whether any of these transactions are to be settled by delivery of our common Stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, issuance, pledge, disposition or filing, without the prior written consent of the Representatives for a period of 60 days after the date of this prospectus, except issuances of our Common Stock pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options, in each case outstanding on the date of the underwriting agreement, grants or awards pursuant to the terms of a plan in effect on the date of the underwriting agreement, and issuances of our Common Stock or securities convertible into or exchangeable or exercisable for any shares of our Common Stock pursuant to the exercise or vesting of such awards and in payment of salary amounts that we have agreed to pay in shares of our Common Stock.

Our executive officers and directors and the Selling Stockholders have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our Common Stock or securities convertible into or exchangeable or exercisable for any shares of our Common Stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our Common Stock, whether any of these transactions are to be settled by delivery of our Common Stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the Representatives for a period of 60 days after the date of this prospectus. Notwithstanding the foregoing, among other exceptions, such officers, directors and Selling Stockholders may transfer, distribute or contribute our shares (i) as a *bona fide* gift or gifts, (ii) to any trust for the direct or indirect benefit of such officer, director or Selling Stockholder or the immediate family of such officer, director or Selling Stockholder, (iii) pursuant to the exercise of any option or warrant to purchase shares of Common Stock outstanding on the date of the underwriting agreement, (iv) pursuant to the receipt of shares of Common Stock in payment of a portion of such officer's salary or the vesting of any restricted stock held by any such officer or director, (v) with respect to certain directors and officers, which are held in a margin account or used as collateral for any loan, guarantee or other obligation of such officer or director as of the date of the underwriting agreement; provided that in the case of any transfer, disposition or distribution pursuant to clauses (i) and (ii), each transferee, donee or distributee shall execute and deliver to the Representatives a lock-up letter in the form provided in the underwriting agreement; provided further that such officer or director has given notice to us prior to engaging in any transaction pursuant to clauses (i), (ii), (iii), and (v) does not consummate any other transaction until such officer or director has received written confirmation from us that the 60-day restricted period has expired. For purposes of this paragraph, immediate family shall mean any relationship by blood, marriage or adoption, not more remote than first cousin.

We and the Selling Stockholders have agreed to indemnify the several underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

Our Common Stock is traded on The New York Stock Exchange ( NYSE ) under the symbol FBP .

### **Price Stabilization, Short Positions and Penalty Bids**

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our Common Stock. However, the representatives may engage in transactions that stabilize the price of the Common Stock, such as bids or purchases to peg, fix or maintain that price.

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In connection with the offering, the underwriters may purchase and sell our Common Stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. Naked short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our Common Stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of Common Stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our Common Stock or preventing or retarding a decline in the market price of our Common Stock. As a result, the price of our Common Stock may be higher than the price that might otherwise exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may conduct these transactions on the NYSE, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Common Stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to the underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

From time to time in the ordinary course of their respective businesses, certain of the underwriters and their affiliates have performed and may in the future perform investment banking, commercial banking, dealer and advisory services for us or our affiliates for which they have received or will receive customary fees and expenses. The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own accounts and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their

affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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**European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State** ), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, no offer of shares may be made to the public in that Relevant Member State other than:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the underwriters; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require the Company or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with each of the underwriters and the Company that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an offer of shares to the public in relation to any shares in any Relevant Member State means the communication in any form and by means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

**United Kingdom**

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are qualified investors (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order ) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article

49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons ) or otherwise in circumstances which have not resulted and will not result in an offer to the public of the shares in the United Kingdom within the meaning of the Financial Services and Markets Act 2000.

Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this document relates to may be made or taken exclusively by relevant persons.

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**Canada**

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

**Switzerland**

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ( SIX ) or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ( CISA ). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

**Dubai International Financial Centre**

This document relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority ( DFSA ). This document is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for this document. The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorized financial advisor.



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In relation to its use in the DIFC, this document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the securities may not be offered or sold directly or indirectly to the public in the DIFC.

### **Australia**

This prospectus:

does not constitute a product disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth) (the Corporations Act );

has not been, and will not be, lodged with the Australian Securities and Investments Commission ( ASIC ), as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act;

does not constitute or involve a recommendation to acquire, an offer or invitation for issue or sale, an offer or invitation to arrange the issue or sale, or an issue or sale, of interests to a retail client (as defined in section 761G of the Corporations Act and applicable regulations) in Australia; and

may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors, or Exempt Investors, available under section 708 of the Corporations Act.

The shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any shares may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the shares, you represent and warrant to us that you are an Exempt Investor.

As any offer of shares under this document will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the shares you undertake to us that you will not, for a period of 12 months from the date of issue of the shares, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

### **Hong Kong**

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a

prospectus as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

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**Japan**

The shares have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the shares nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

**Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:
  - (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
  - (b) where no consideration is or will be given for the transfer;
  - (c) where the transfer is by operation of law;

- (d) as specified in Section 276(7) of the SFA; or as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

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**LEGAL MATTERS**

The validity of the Common Stock being offered by this prospectus supplement was passed upon for us by Lawrence Odell, Esq., Executive Vice President and General Counsel. As of the date of this prospectus supplement, Lawrence Odell, Esq., beneficially owns, directly or indirectly, 388,243 shares of our Common Stock, as determined in accordance with Rule 13d-3 of the Exchange Act. Davis Polk & Wardwell LLP, New York, New York has represented the underwriters in connection with the resale offering pursuant to this prospectus supplement.

Certain U.S. federal income tax matters relating to the Common Stock being offered were passed upon for us by Morgan, Lewis & Bockius LLP and Puerto Rico tax matters relating to the Common Stock being offered were passed upon for us by our special Puerto Rico tax counsel Pietrantoní Méndez & Alvarez LLP, San Juan, Puerto Rico. Certain U.S. federal income tax matters relating to the Common Stock being offered were passed upon for the underwriters by Davis Polk & Wardwell LLP, New York, New York.

**EXPERTS**

The consolidated financial statements of First BanCorp. as of December 31, 2015 and 2014, and for each of the years in the three-year period ended December 31, 2015 and management's assessment of effectiveness of internal control over financial reporting as of December 31, 2015 have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

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**Up to 95,429,615 Shares of Common Stock**

**One Warrant to Purchase up to 1,285,899 Shares of Common Stock**

This prospectus relates to the offer and resale of up to 95,429,615 shares (the Shares ) of the common stock, \$0.10 par value per share (the Common Stock ), which includes 1,285,899 Shares issuable upon exercise of a warrant to purchase shares (the Warrant, and together with the Shares, the Securities ), of First BanCorp. (the Corporation ) by the selling stockholders identified herein (the Selling Stockholders ). In addition, this prospectus relates to the offer and sale of the Warrant, which is held by the U.S. Department of the Treasury ( Treasury ). This prospectus replaces the prospectus dated November 8, 2012, which has expired pursuant to its terms and registers shares for resale by the same Selling Stockholders pursuant to the terms of agreements with such Selling Stockholders.

The Shares registered pursuant to this Registration Statement represent approximately 44.4% of the number of shares of Common Stock currently outstanding or 43.8% excluding the 1,285,899 shares underlying the Warrant. Of the shares being registered, 83,687,163 shares are beneficially owned by funds that have designated two directors to serve on our Board of Directors, 11,577,452 shares are beneficially owned by Treasury and 165,000 shares are beneficially owned by Roberto R. Herencia, Chairman of the Corporation s Board of Directors.

The Selling Stockholders may sell all or a portion of the Securities from time to time, in amounts, at prices and on terms determined at the time of the offering. We will not receive any proceeds from the sale of the Securities by the Selling Stockholders under this prospectus. If the Warrant is exercised for cash by a purchaser of the Warrant under this prospectus, the net proceeds to the Corporation from the sale of the shares of common stock issued upon such exercise will be used for general corporate purposes, including the repayment of debt, acquisitions, additions to working capital, capital expenditures and investments in our subsidiaries, which are the same uses if Treasury exercises the Warrant for cash. However, we will receive no cash if and to the extent the Warrant is exercised pursuant to the net, or cashless, exercise feature of the Warrant.

**Investing in the Securities involves risks. See Risk Factors beginning on page 5 to read about factors you should consider before you make your investment decision.**

Our Common Stock is traded on the New York Stock Exchange (the NYSE ) under the symbol FBP. On February 25, 2016, the closing price of our Common Stock on the NYSE was \$2.38 per share. The Warrant is not listed on an exchange, and we do not intend to list the Warrant on any exchange.

**Neither the SEC nor any securities commission of any state or other jurisdiction has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

The Securities are not savings accounts, deposits, or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation (the FDIC ) or any other governmental agency, and are subject to investment risks, including the possible loss of the principal amount invested.

**The date of this prospectus is February 29, 2016**



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We have not authorized, and the selling stockholders have not authorized, anyone to provide any information other than that contained or incorporated by reference in this prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

This prospectus and any applicable prospectus supplement are not offers to sell nor are they seeking an offer to buy the Securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus and any applicable prospectus supplement is complete and correct only as of the date on the front cover of such documents, regardless of the time of the delivery of such documents or any sale of the Securities. In this prospectus, First BanCorp., the Corporation, we, us, and our refer to the consolidated operations of First BanCorp.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the SEC. When required, we will amend the registration statement or file prospectus supplements to update or change information contained in this prospectus. You should read both this prospectus or any amended prospectus and any prospectus supplement together with additional information described under the headings **Additional Information** and **Incorporation By Reference**.

**ADDITIONAL INFORMATION**

As permitted by SEC rules, this prospectus omits certain information that is included in the registration statement and its exhibits. Since the prospectus may not contain all of the information that you may find important, you should review the full text of these documents. If we have filed a contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved. Each statement in this prospectus, including statements incorporated by reference as discussed below, regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

We file annual, quarterly and current reports, proxy statements, and other information with the SEC. You may read and copy any document we file with the SEC at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 to obtain information on the operation of the public reference room. The SEC's website at <http://www.sec.gov> contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

**INCORPORATION BY REFERENCE**

The SEC allows us to incorporate by reference into this prospectus the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. Any statement contained in a document incorporated by reference in this prospectus shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein, or in any subsequently filed document, which also is incorporated by reference herein, modifies or supersedes such earlier statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We hereby incorporate by reference into this prospectus the following documents that we have filed with the SEC under the Securities Exchange Act File No. 001-14793:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the SEC on March 16, 2015;

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015 filed with the SEC on May 11, 2015, August 10, 2015 and November 9, 2015, respectively;

Our Current Reports on Form 8-K filed with the SEC on January 14, 2015, February 9, 2015, March 5, 2015 (pursuant to Item 1.01 only), March 26, 2015, May 1, 2015 and May 27, 2015; and

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The description of our capital stock as set forth in our Registration Statement on Form 8-A/A filed with the SEC on May 4, 2012.

All documents that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), (i) after the initial filing date of the registration

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statement of which this prospectus forms a part and prior to the effectiveness of such registration statement and (ii) after the date of this prospectus and prior to the termination of the offering are incorporated by reference in this prospectus from the date of filing of the documents, unless we specifically provide otherwise. Information that we file with the SEC will automatically update and may replace information previously filed with the SEC.

You may request a copy of these filings, other than an exhibit to a filing (unless that exhibit is specifically incorporated by reference into that filing), at no cost, by writing to us at the following address: First BanCorp., Attention: Lawrence Odell, Secretary, P.O. Box 9146, San Juan, Puerto Rico, 00908-0146. Telephone requests may be directed to (787) 729-8109. E-mail requests may be directed to [lawrence.odell@firstbankpr.com](mailto:lawrence.odell@firstbankpr.com). You may also access this information on our website at [www.firstbank.com](http://www.firstbank.com) by viewing the SEC Filings subsection of the Investor Relations menu. No additional information on our website is deemed to be part of or incorporated by reference into this prospectus. We have included our website address in this prospectus solely as an inactive textual reference.

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**SUMMARY**

*The following summary highlights material information contained in this prospectus. It may not contain all of the information that is important to you and is qualified in its entirety by the more detailed information included or incorporated by reference into this prospectus. Before deciding to acquire any of the shares of our Common Stock that are being offered for resale by the Selling Stockholders, you should carefully consider the information contained in or incorporated by reference into this prospectus, including the information set forth under the heading Risk Factors beginning on page 4 in this prospectus.*

**OUR COMPANY**

Founded in 1948, First BanCorp. is a diversified financial holding company headquartered in San Juan, Puerto Rico offering a full range of financial products to consumers and commercial customers through various subsidiaries. We are subject to regulation, supervision and examination by the Federal Reserve Bank of New York (the FED or Federal Reserve ) and the Board of Governors of the Federal Reserve System. First BanCorp. was incorporated under the laws of the Commonwealth of Puerto Rico to serve as the bank holding company for FirstBank Puerto Rico ( FirstBank or the Bank ). We are a full-service provider of financial services and products with operations in Puerto Rico, the mainland United States (the U.S. ), the United States Virgin Islands (the USVI ) and the British Virgin Islands (the BVI ). Our principal executive offices are located at 1519 Ponce de León Avenue, Stop 23, Santurce, Puerto Rico 00908. Our telephone number is (787) 729-8200.

As of September 30, 2015, the Corporation had total assets of approximately \$12.8 billion, total deposits of approximately \$9.7 billion and total stockholders' equity of approximately \$1.7 billion.

We provide a wide range of financial services for retail, commercial and institutional clients. We control two wholly owned subsidiaries: FirstBank, a Puerto Rico-chartered commercial bank, and FirstBank Insurance Agency, Inc., a Puerto Rico-chartered insurance agency ( FirstBank Insurance Agency ).

FirstBank conducts its business through its main office located in San Juan, Puerto Rico and, as of September 30, 2015, fifty-one branches in Puerto Rico, twelve branches in the USVI and BVI and ten branches in the state of Florida (USA). As of September 30, 2015, FirstBank had six wholly-owned subsidiaries with operations in Puerto Rico: First Federal Finance Corp. (d/b/a Money Express La Financiera), a finance company specializing in the origination of small loans with twenty-seven offices in Puerto Rico; First Management of Puerto Rico, a domestic corporation that holds tax-exempt assets; FirstBank Puerto Rico Securities Corp., a broker-dealer subsidiary engaged in municipal bond underwriting and financial advisory services on structured financings principally provided to government entities in the Commonwealth of Puerto Rico; FirstBank Overseas Corporation, an international banking entity organized under the International Banking Entity Act of Puerto Rico; and two other companies that hold and operate other real estate owned properties. As of September 30, 2015, FirstBank had one active subsidiary with operations outside of Puerto Rico: First Express, a finance company specializing in the origination of small loans with two offices in the USVI.

FirstBank is subject to the supervision, examination and regulation of the Office of the Commissioner of Financial Institutions of the Commonwealth of Puerto Rico (the OCIF ) and the FDIC. Deposits are insured through the FDIC Deposit Insurance Fund. In addition, within FirstBank, the Bank's USVI operations are subject to regulation and examination by the United States Virgin Islands Banking Board; its BVI operations are subject to regulation by the British Virgin Islands Financial Services Commission and its operations in the state of Florida are subject to regulation and examination by the Florida Office of Financial Regulation. FirstBank Insurance Agency is subject to the supervision, examination and regulation of the Office of the Insurance Commissioner of the Commonwealth of

Puerto Rico and operates nine offices in Puerto Rico, and two offices in the USVI and BVI.

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The Corporation entered into an agreement with the FED dated June 3, 2010 (the Written Agreement ), and FirstBank agreed to an order issued by the FDIC and the OCIF dated June 2, 2010 (the FDIC Order, and together with the Written Agreement, the Regulatory Agreements ). Pursuant to the Regulatory Agreements, the Corporation and FirstBank agreed to take certain actions designed to improve our financial condition. Although the FDIC Order was terminated by the FDIC effective April 29, 2015, First BanCorp. is still subject to the Written Agreement. The Written Agreement also requires the Corporation to obtain the approval of the FED prior to paying dividends, receiving dividends from FirstBank, incurring, increasing or guaranteeing any debt, or purchasing or redeeming any stock, to comply with certain notice provisions prior to appointing any new directors or senior executive officers, and to comply with certain restrictions on severance payments and indemnification.

The Corporation submitted its Capital Plan setting forth its plans for how to improve its capital position in compliance with the Written Agreement over time. In addition to the Capital Plan, the Corporation submitted to its regulators a liquidity and brokered certificate of deposit ( CD ) plan, including a contingency funding plan, a non-performing asset reduction plan, a budget and profit plan, a strategic plan, and a plan for the reduction of classified and special mention assets. As of September 30, 2015, the Corporation had completed all of the items included in the Capital Plan and is continuing to work on reducing non-performing loans.

*THE OFFERING*

The Selling Stockholders will offer the Securities for resale as follows: (i) 165,000 shares of Common Stock by Mr. Herencia; (ii) 83,687,163 shares of Common Stock by institutional investors; and (iii) 10,291,553 shares of Common Stock, the Warrant, and the 1,285,899 shares of Common Stock issuable upon exercise of the Warrant, as adjusted in the future pursuant to the terms of the Warrant, by Treasury.

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**RISK FACTORS**

*You should carefully consider the risks described below and all of the information contained in or incorporated by reference into this prospectus before you decide to acquire any of the shares being offered by the Selling Stockholders. We believe the risks described below are the risks that are material to us as of the date of this prospectus. If any of such risks actually occur, our business, financial condition, results of operations and future growth prospects would likely be materially and adversely affected. In these circumstances, the market price of our Common Stock could decline, and you could lose all or part of your investment.*

**RISK RELATING TO THE OFFERING**

*Sales in the public market of the approximately 44% of our outstanding shares of Common Stock that are covered by this prospectus could adversely affect the trading price of our Common Stock.*

We are registering for resale an aggregate of 95,429,615 shares of Common Stock, which represents approximately 44.4% of our outstanding shares of Common Stock, or 43.8% excluding the shares of Common Stock underlying the Warrant. As of December 31, 2015, the Selling Stockholders individually beneficially owned more than 5% of our outstanding shares of Common Stock: funds affiliated with Thomas H. Lee Partners, L.P. ( THL ), which own approximately 19.45%, and funds managed by Oaktree Capital Management, L.P. ( Oaktree ), which own approximately 19.45%, and Treasury, which owns approximately 5.38%, including the shares of Common Stock issuable upon exercise of the Warrant. We are obligated to keep this prospectus current so that the Securities can be sold in the public market at any time. The resale of the Securities in the public market, or the perception that these sales might occur, could cause the market price of our Common Stock to decline.

**RISKS RELATING TO THE CORPORATION'S BUSINESS**

*We are operating under an agreement with our regulators.*

We are subject to supervision and regulation by the Board of Governors of the Federal Reserve System (the Federal Reserve Board ). We are a bank holding company and a financial holding company under the Bank Holding Company Act of 1956, as amended.

As a financial holding company, we are permitted to engage in a broader spectrum of financial activities than those permitted to bank holding companies that are not financial holding companies. At this time, as a result of, among other things, the Written Agreement, under the Bank Holding Company Act, we currently are not able to engage in new financial activities, and we may not be able to acquire shares or control of other companies. In addition, we are subject to restrictions because of the Written Agreement that we entered into with the Federal Reserve.

On June 4, 2010, we announced that FirstBank agreed to the FDIC Order issued by the FDIC and OCIF, and we entered into the Written Agreement with the Federal Reserve. These Regulatory Agreements stemmed from the FDIC's examination as of the period ended June 30, 2009 conducted during the second half of 2009. Effective April 29, 2015, the FDIC terminated the FDIC Order. First BanCorp. is still subject to the Written Agreement.

The Written Agreement, which is designed to enhance our ability to act as a source of strength to FirstBank, requires that we obtain prior Federal Reserve approval before declaring or paying dividends, receiving dividends from FirstBank, making payments on subordinated debt or trust-preferred securities, incurring, increasing or guaranteeing debt (whether such debt is incurred, increased or guaranteed, directly or indirectly, by us or any of our non-banking subsidiaries) or purchasing or redeeming any capital stock. The Written Agreement also required us to submit to the



Federal Reserve a capital plan and requires that we submit progress reports, comply with certain notice provisions prior to appointing new directors or senior executive officers and comply with certain payment restrictions on severance payments and indemnification restrictions.

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We anticipate that we will need to continue to dedicate significant resources to our efforts to comply with the Written Agreement, which may increase operational costs or adversely affect the amount of time our management has to conduct our operations.

If we fail to comply with the Written Agreement in the future, we may become subject to additional regulatory enforcement action up to and including the appointment of a conservator or receiver for FirstBank.

### ***Our high level of non-performing loans may adversely affect our future results from operations.***

We continue to have a high level of non-performing loans as of September 30, 2015, although it decreased \$97.9 million to \$480.7 million as of September 30, 2015, or 17% from \$578.5 million as of December 31, 2014. Our non-performing loans represent approximately 5% of our \$9.3 billion loan portfolio as of September 30, 2015. In addition, we have a high level of total non-performing assets, although it decreased \$99.6 million to \$617.2 million as of September 30, 2015, or 13.9% from \$716.8 million as of December 31, 2014. If we are unable to effectively maintain the quality of our loan portfolio, our financial condition and results of operations may be materially and adversely affected.

### ***Certain funding sources may not be available to us and our funding sources may prove insufficient and/or costly to replace.***

FirstBank relies primarily on customer deposits, the issuance of brokered CDs, and advances from the Federal Home Loan Bank to maintain its lending activities and to replace certain maturing liabilities. As of September 30, 2015, we had \$2.6 billion in brokered CDs outstanding, representing approximately 23% of our total deposits, and a reduction of \$618.9 million from the year ended December 31, 2014. Approximately \$1.5 billion in brokered CDs mature over the next twelve months, and the average term to maturity of the retail brokered CDs outstanding as of September 30, 2015 was approximately 1.0 years. None of these CDs are callable at the Corporation's option.

Although FirstBank has historically been able to replace maturing deposits and advances, we may not be able to replace these funds in the future if our financial condition or general market conditions were to change. The use of brokered deposits has been particularly important for the funding of our operations. If we are unable to issue brokered deposits, or are unable to maintain access to our other funding sources, our results of operations and liquidity would be adversely affected.

Alternate sources of funding may carry higher costs than sources currently utilized. If we are required to rely more heavily on more expensive funding sources, profitability would be adversely affected. We may determine to seek debt financing in the future to achieve our long-term business objectives. Any future debt financing requires the prior approval of the Federal Reserve, and the Federal Reserve may not approve such financing. Additional borrowings, if sought, may not be available to us, or if available, may not be on acceptable terms. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, our credit ratings and our credit capacity. In addition, the Bank may seek to sell loans as an additional source of liquidity. If additional financing sources are unavailable or are not available on acceptable terms, our profitability and future prospects could be adversely affected.

### ***We depend on cash dividends from FirstBank to meet our cash obligations.***

As a holding company, dividends from FirstBank have provided a substantial portion of our cash flow used to service the interest payments on our trust-preferred securities and other obligations. As outlined in the Written Agreement, we cannot receive any cash dividends from FirstBank without the prior written approval of the Federal Reserve. In

addition, FirstBank is limited by law in its ability to make dividend payments and other distributions to us based on its earnings and capital position. Our inability to receive approval from the Federal Reserve to receive dividends from FirstBank, or FirstBank's failure to generate sufficient cash flow to make

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dividend payments to us, may adversely affect our ability to meet all projected cash needs in the ordinary course of business and may have a detrimental impact on our financial condition.

The Banking Law of the Commonwealth of Puerto Rico requires that a minimum of 10% of FirstBank's net income for the year be transferred to legal surplus until such surplus equals the total of paid-in-capital on common and preferred stock. Amounts transferred to the legal surplus account from the retained earnings account are not available for distribution to the stockholders without the prior consent of the Puerto Rico Commissioner of Financial Institutions. The Puerto Rico Banking Law provides that when the expenditures of a Puerto Rico commercial bank are greater than receipts, the excess of the expenditures over receipts shall be charged against the undistributed profits of the bank, and the balance, if any shall be charged against the reserve fund, as a reduction thereof. If there is no reserve fund sufficient to cover such balance in whole or in part, the outstanding amount shall be charged against the capital account and the Bank cannot pay dividends until it can replenish the reserve fund to an amount of at least 20% of the original capital contributed. During the fourth quarter of 2014, \$40.0 million was transferred to the legal surplus reserve. FirstBank's legal surplus reserve, included as part of retained earnings in the Corporation's statement of financial condition, amounted to \$40.0 million as of September 30, 2015. There were no transfers to the legal surplus reserve during the first nine months of 2015.

***If we do not obtain Federal Reserve approval to pay interest, principal or other sums on subordinated debentures or trust preferred securities, a default under certain obligations may occur.***

The Written Agreement provides that we cannot declare or pay any dividends or make any distributions of interest, principal or other sums on subordinated debentures or trust-preferred securities without prior written approval of the Federal Reserve. With respect to our \$226 million of outstanding subordinated debentures, we have elected to defer the interest payments that were due in quarterly periods since March 2012. The aggregate amount of payments deferred and accrued approximates \$26.8 million as of September 30, 2015.

Under the indentures, we have the right, from time to time, and without causing an event of default, to defer payments of interest on the subordinated debentures by extending the interest payment period at any time and from time to time during the term of the subordinated debentures for up to twenty consecutive quarterly periods. We may continue to elect extension periods for future quarterly interest payments if the Federal Reserve advises us that it will not approve such future quarterly interest payments. Our inability to receive approval from the Federal Reserve to make distributions of interest, principal or other sums on our trust-preferred securities and subordinated debentures could result in a default under those obligations if we need to defer such payments for longer than twenty consecutive quarterly periods.

***Credit quality may result in additional losses.***

The quality of our credits has continued to be under pressure as a result of continued recessionary conditions in the markets we serve that have led to, among other things, high unemployment levels, low absorption rates for new residential construction projects and further declines in property values. Our business depends on the creditworthiness of our customers and counterparties and the value of the assets securing our loans or underlying our investments. When the credit quality of the customer base materially decreases or the risk profile of a market, industry or group of customers changes materially, our business, financial condition, allowance levels, asset impairments, liquidity, capital and results of operations are adversely affected.

We have a commercial and construction loan portfolio held for investment in the amount of \$4.1 billion as of September 30, 2015. Due to their nature, these loans entail a higher credit risk than consumer and residential mortgage loans, since they are larger in size, concentrate more risk in a single borrower and are generally more sensitive to

economic downturns. Furthermore, given the slowdown in the real estate market, the properties securing these loans may be difficult to dispose of if they are foreclosed. As of September 30, 2015, we had \$266.8 million in nonperforming commercial and construction loans held for investment. We may incur

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additional credit losses over the near term, either because of continued deterioration of the quality of the loans or because of sales of such loans, which would likely accelerate the recognition of losses. Any such losses would adversely impact our overall financial performance and results of operations

***Our allowance for loan losses may not be adequate to cover actual losses, and we may be required to materially increase our allowance, which may adversely affect our capital, financial condition and results of operations.***

We are subject to the risk of loss from loan defaults and foreclosures with respect to the loans we originate and purchase. We establish a provision for loan and lease losses, which leads to reductions in our income from operations, in order to maintain our allowance for inherent loan and lease losses at a level that our management deems to be appropriate based upon an assessment of the quality of the loan and lease portfolio. Management may fail to accurately estimate the level of inherent loan and lease losses or may have to increase our provision for loan and lease losses in the future as a result of new information regarding existing loans, future increases in non-performing loans, changes in economic and other conditions affecting borrowers or for other reasons beyond our control. In addition, bank regulatory agencies periodically review the adequacy of our allowance for loan and lease losses and may require an increase in the provision for loan and lease losses or the recognition of additional classified loans and loan charge-offs, based on judgments different than those of management.

The level of the allowance reflects management's estimates based upon various assumptions and judgments as to specific credit risks, evaluation of industry concentrations, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for loan and lease losses inherently involves a high degree of subjectivity and requires management to make significant estimates and judgments regarding current credit risks and future trends, all of which may undergo material changes. If our estimates prove to be incorrect, our allowance for credit losses may not be sufficient to cover losses in our loan portfolio and our expense relating to the additional provision for credit losses could increase substantially.

Any such increases in our provision for loan and lease losses or any loan and lease losses in excess of our provision for loan and lease losses would have an adverse effect on our future financial condition and results of operations. Given the difficulties facing some of our largest borrowers, these borrowers may fail to continue to repay their loans on a timely basis or we may not be able to assess accurately any risk of loss from the loans to these borrowers. Also, additional economic weakness, which has resulted in downgrades of Puerto Rico's general obligation debt to non-investment grade, among other consequences, could require increases in reserves.

***Changes in collateral values of properties located in stagnant or distressed economies may require increased reserves.***

Further deterioration of the value of real estate collateral securing our construction, commercial and residential mortgage loan portfolios would result in increased