

FIRST BANCORP /PR/  
Form PRE 14A  
March 25, 2010

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**SCHEDULE 14A**  
**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

**FIRST BANCORP.**

(Name of Registrant as Specified In Its Charter)

Not Applicable

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11  
(Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule, and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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**1519 PONCE DE LEON AVENUE  
SAN JUAN, PUERTO RICO 00908  
(787) 729-8200**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

To the Stockholders of First BanCorp:

NOTICE IS HEREBY GIVEN that, pursuant to a resolution of the Board of Directors and Section 2 of the Corporation's By-laws, the Annual Meeting of Stockholders of First BanCorp will be held at our principal offices located at 1519 Ponce de Leon Avenue, Santurce, Puerto Rico, on Tuesday, April [22], 2010, at 2:00 p.m., for the purpose of considering and taking action on the following matters, all of which are more completely set forth in the accompanying Proxy Statement:

1. To elect nine (9) directors, each for a term of one year expiring at the 2011 Annual Meeting of Stockholders.
2. To amend Article Sixth of the Restated Articles of Incorporation to increase the number of authorized shares of common stock, par value \$1.00 per share ( Common Stock ), from 250,000,000 to 750,000,000.
3. To approve the issuance of shares of Common Stock in accordance with applicable New York Stock Exchange rules.
4. To approve a non-binding, advisory proposal on the 2009 compensation of First BanCorp's executives.
5. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our 2010 fiscal year.

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

Only stockholders of record as of the close of business on March 11, 2010 are entitled to receive notice of and to vote at the meeting. A list of such stockholders will be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of ten days prior to the meeting, at our principal offices.

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

By Order of the Board of Directors,

/s/ Lawrence Odell

Lawrence Odell  
Secretary

San Juan, Puerto Rico  
March [30], 2010



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**1519 Ponce De Leon Avenue  
Santurce, Puerto Rico 00908**

**ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON APRIL [22], 2010**

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of First BanCorp (the Corporation) for use at the Annual Meeting of Stockholders to be held at the Corporation's offices located at 1519 Ponce de Leon Avenue, Santurce, Puerto Rico, on April [22], 2010, at 2:00 p.m., and at any adjournment thereof (the Annual Meeting). This Proxy Statement and form of proxy are first being sent or given to stockholders of record on or about March [30], 2010. The Board of Directors has designated two individuals to serve as proxies to vote the shares represented at the Annual Meeting. Shares represented by properly executed proxies that are received will be voted at the Annual Meeting in accordance with the instructions specified in the proxy. If you properly submit a proxy but do not give instructions on how you want your shares to be voted, your shares will be voted by the designated proxies in accordance with the Board of Directors' recommendations described below.

**QUESTIONS AND ANSWERS ABOUT THE MEETING**

**What information is contained in this Proxy Statement?**

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

**What is the purpose of the Meeting?**

At the Annual Meeting, stockholders will act upon the following matters, which are outlined in the accompanying Notice of Meeting: the election of nine directors, the amendment to Article Sixth of the Restated Articles of Incorporation to increase the number of authorized shares of common stock, par value \$1.00 per share (Common Stock), from 250,000,000 to 750,000,000, the issuance of shares of Common Stock in accordance with applicable New York Stock Exchange rules, the non-binding, advisory proposal on the 2009 compensation of First BanCorp's executives, and the appointment of PricewaterhouseCoopers as our independent registered public accounting firm for our 2010 fiscal year.

**What should I receive?**

You should receive this Proxy Statement, the Notice of Annual Meeting of Stockholders, the proxy card and the Corporation's 2009 annual report with the audited financial statements for the year ended December 31, 2009, duly certified by PricewaterhouseCoopers LLP.

**How many votes do I have?**

You will have one vote for every share of Common Stock you owned as of the close of business on March 11, 2010, the record date for the Annual Meeting (the Record Date).

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

If you were not a record or beneficial holder of shares of Common Stock as of the Record Date, you will not be entitled to vote with respect to such shares.

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### **How many votes can all stockholders cast?**

Stockholders may cast one vote for each of the Corporation's 92,542,722 shares of Common Stock that were outstanding on the Record Date.

### **How many votes must be present to hold the Meeting?**

A majority of the votes that can be cast must be present either in person or by proxy to hold the Annual Meeting. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the Annual Meeting for purposes of determining whether the majority of the votes that can be cast are present. A broker non-vote occurs when a broker or other nominee indicates on the proxy card that it does not have discretionary authority to vote on a particular matter. Votes cast by proxy or in person at the Annual Meeting will be counted by Bank of New York Mellon, an independent third party. We urge you to vote by proxy even if you plan to attend the Annual Meeting so that we will know as soon as possible that enough votes will be present for us to hold the Annual Meeting.

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

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

Action with respect to the proposal to amend Article Sixth of the Restated Articles of Incorporation requires the approval of a majority of the shares of Common Stock outstanding. Broker non-votes and abstentions will have the same effect as votes cast against the proposed amendment and issuance.

Proposal No. 3 relating to the issuance of shares of Common Stock in accordance with applicable New York Stock Exchange rules requires the affirmative vote of holders of a majority of the votes cast on each such the proposal, provided that the total votes cast on the proposal, whether for or against this proposal, represent over 50% of all of the shares of Common Stock outstanding will be required for approval. Abstentions will have the same effect as votes cast against the proposals and broker non-votes will not be counted in determining the number of shares necessary for approval.

As to the advisory vote related to executive compensation and the ratification of the independent registered public accounting firm, and any other item voted upon at the Annual Meeting, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on each item will be required for approval. Abstentions will have the same effect as votes cast against the proposals and broker non-votes will not be counted in determining the number of shares necessary for approval.

### **Can my broker vote my shares for me on the election of directors?**

**No. Please note that this year the rules that govern how brokers vote your shares have changed. Brokers may no longer use discretionary authority to vote shares on the election of directors if they have not received instructions from their clients. Please vote your proxy so your vote can be counted.**

### **How does the Board recommend that I vote?**

The Board of Directors recommends that you vote **FOR** each nominee to the Board; **FOR** the amendment to Article Sixth of the Restated Articles of Incorporation to increase the authorized number of shares of Common Stock

from 250,000,000 to 750,000,000; **FOR** the issuance of shares of Common Stock in accordance with applicable New York Stock Exchange rules; **FOR** the advisory vote related to executive compensation; and **FOR** the ratification of the Corporation's independent registered public accounting firm for the year 2010.

**How do I vote?**

You can vote either in person at the Annual Meeting or by proxy without attending the Annual Meeting.

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To vote by proxy, you must either:

fill out the enclosed proxy card, date and sign it, and return it in the enclosed postage-paid envelope;

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

vote over the Internet (instructions are on the proxy card).

Please refer to the specific instructions set forth on the enclosed proxy card. For security reasons, our electronic voting system has been designed to authenticate your identity as a Shareholder.

If you hold your shares in *street name*, your broker/bank/trustee/nominee will provide you with materials and instructions for voting your shares.

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

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

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

Most of our stockholders hold their shares through a broker, bank, or other nominee rather than directly in their own name. As summarized below, there are some differences between shares held of record and those owned beneficially.

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

*Beneficial Owner.* If your shares are held by a broker, bank, trustee or other nominee, you are considered the beneficial owner of shares held in *street name*, and the Notice or these proxy materials are being forwarded to you by your broker, bank, trustee or other nominee who is considered the stockholder of record with respect to those shares. As a beneficial owner, you have the right to direct your broker, bank, trustee or other nominee on how to vote the shares held in your account, and it will enclose or provide voting instructions for you to use in directing it on how to vote your shares. The organization that holds your shares, however, is considered the stockholder of record for purposes of voting at the Annual Meeting. Accordingly, because you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy from your broker, bank, trustee or other nominee giving you the right to vote the shares at the Annual Meeting.

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

We will bear the cost of soliciting proxies for the Annual Meeting. In addition to solicitation by mail, proxies may be solicited personally, by telephone or otherwise. The Board has engaged the firm of Morrow & Co., LLC to aid in the solicitation of proxies. The cost is estimated at \$6,500, plus reimbursement of reasonable out-of-pocket expenses. Our Directors, officers and employees may also solicit proxies but will not receive any additional compensation for their services. Proxies and proxy materials will also be distributed at our expense by brokers, nominees, custodians and other similar parties.

**Can I change my vote?**

Yes, you may change your vote. If you are a stockholder of record, you may revoke your proxy at any time before it is exercised by sending in a new proxy card with a later date, or casting a new vote by telephone or over the Internet, or sending a written notice of revocation to the President or Secretary of First BanCorp, at P.O. Box 9146, San Juan, Puerto Rico 00908-0146, delivered before the proxy is exercised. If you attend the Annual Meeting and want to vote in person, you may request that your previously submitted proxy not be used. If your shares are held in

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the name of a broker, bank or other holder of record, that institution will instruct you as to how your vote may be changed.

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

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

### **Could other matters be decided at the Annual Meeting?**

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

### **What happens if the Annual Meeting is postponed or adjourned?**

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

### **Who can help answer my questions?**

If you have any questions about how to grant or revoke your vote or need copies of our filings, you should contact Lawrence Odell, Secretary of the Board of Directors, at 787-729-8109 or at [lawrence.odell@firstbankpr.com](mailto:lawrence.odell@firstbankpr.com).

## **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON APRIL [22], 2010**

This Proxy Statement and the 2009 annual report to security holders are available at <http://bnymellon.mobular.net/bnymellon/fbp>. You may obtain directions to be able to attend the meeting and vote in person by contacting Lawrence Odell, Secretary of the Board of Directors, by e-mail at [lawrence.odell@firstbankpr.com](mailto:lawrence.odell@firstbankpr.com) or by telephone at 787-729-8109.

## **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following tables sets forth certain information as of January 15, 2010 with respect to shares of our Common Stock and preferred stock beneficially owned (unless otherwise indicated in the footnotes) by: (1) each person known to us to be the beneficial owner of more than 5% of our Common Stock; (2) each director, each director nominee and each executive officer named in the Summary Compensation Table in this Proxy Statement (the "Named Executive Officers"); and (3) all directors and executive officers as a group. This information has been provided by each of the directors and executive officers at our request or derived from statements filed with the SEC pursuant to Section 13(d) or 13(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Beneficial ownership of securities, as shown below, has been determined in accordance with applicable guidelines issued by the SEC. Beneficial ownership includes the possession, directly or indirectly, through any formal or informal arrangement, either individually or in a group, of voting power (which includes the power to vote, or to





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direct the voting of, such security) and/or investment power (which includes the power to dispose of, or to direct the disposition of, such security).

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

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(b)
The Bank of Nova Scotia 44 King Street West 6th Fl Toronto, Canada M5H 1H1	9,250,450(c)	10.00%
FMR LLC 82 Devonshire Street Boston, MA 02109	7,300,000(d)	7.89%
Angel Alvarez-Pérez Condominio Plaza Stella Apt.1504 Avenida Magdalena 1362 San Juan, Puerto Rico 00907	6,360,518(e)	6.87%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	6,220,207(f)	6.72%
First Trust Portfolio L.P. 120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187	4,676,229(g)	5.05%

(a) On January 16, 2009, we entered into a Letter Agreement (the "Letter Agreement") with the U.S. Department of Treasury (the "Treasury") pursuant to which we sold 400,000 shares of Series F Preferred Stock to the Treasury, along with a warrant to purchase 5,842,259 shares of Common Stock, equivalent to 6.31% of our shares of Common Stock as of January 15, 2010, at an initial exercise price of \$10.27 per share. This table excludes shares that the Treasury may acquire pursuant to the warrant it acquired in January 2009. This warrant, which expires 10 years from the issue date, may be exercised, in whole or in part, at any time or from time to time by the Treasury.

(b) Based on 92,542,722 shares of Common Stock outstanding as of January 15, 2010.

(c) On August 24, 2007, the Corporation entered into a Stockholder Agreement with the Bank of Nova Scotia ("BNS"), which completed a private placement of 9,250,450 shares of Common Stock at a price of \$10.25 per share pursuant to the terms of an investment agreement dated February 15, 2007. BNS filed a Schedule 13D on September 4, 2007 reporting the beneficial ownership of 10% or 9,250,450 shares of Common Stock as of August 24, 2007 and reported that it possessed sole voting power and sole dispositive power over 9,250,450 shares.

(d) Based solely on a Schedule 13G/A filed with the SEC on February 16, 2010 in which FMR LLC reported aggregate beneficial ownership of 7,300,000 shares of the Corporation as of December 31, 2009. FMR LLC reported that it possessed sole power to dispose or to direct the disposition of 7,300,000 shares. FMR LLC reported that it did not possess sole power to vote or direct the vote of any shares beneficially owned.

- (e) Based solely on a Schedule 13D/A filed with the SEC on May 13, 2009 by Mr. Angel Álvarez-Pérez in which Mr. Álvarez-Pérez reported aggregate beneficial ownership of 6,360,518 shares of the Corporation. Mr. Álvarez-Pérez reported that he possessed sole voting power and sole dispositive power over 6,339,218 shares and shared voting power and shared dispositive power over 20,300 shares.
- (f) Based solely on a Schedule 13G filed with the SEC on January 29, 2010 in which BlackRock, Inc. reported aggregate beneficial ownership of 6,220,207 shares of the Corporation as of December 31, 2009. BlackRock, Inc. reported that it possessed sole voting power and sole dispositive power over 6,220,227 shares.
- (g) Based solely on a Schedule 13G/A filed with the SEC on February 10, 2010 in which First Trust Portfolios L.P. and certain of its affiliates reported aggregate beneficial ownership of 4,676,229 shares of the Corporation as of December 31, 2009. First Trust Portfolios L.P. and certain of its affiliates reported that they possessed shared

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power to vote or to direct the vote of and shared power to dispose or to direct the disposition of 4,676,229 shares beneficially owned.

**(2) Beneficial Ownership of Directors, Director Nominees and Executive Officers:**

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(a)	Percent of Class*
<b>Directors</b>		
Aurelio Alemán-Bermúdez, President & Chief Executive Officer	872,000	*
José Menéndez-Cortada, Chairman of the Board	45,896	*
Jorge L. Díaz-Irizarry	62,737(b)	*
José Ferrer-Canals	5,527	*
Sharee Ann Umpierre-Catinchi	81,677(c)	*
Fernando Rodríguez-Amaro	32,207	*
Héctor M. Nevares-La Costa	4,543,396(d)	4.91%
Frank Kolodziej-Castro	2,762,483	2.99%
José F. Rodríguez-Perelló	324,077	*
<b>Executive Officers</b>		
Orlando Berges-González, Executive Vice President & Chief Financial Officer	10,000	*
Lawrence Odell, Executive Vice President, General Counsel & Secretary	225,000	*
Randolfo Rivera-Sanfeliz, Executive Vice President	406,450	*
Calixto García-Vélez, Executive Vice President		*
Luis Beauchamp-Rodríguez, former President, Chief Executive Officer and Chairman of the Board(e)	17,000	*
Fernando Scherrer, former Executive Vice President & Chief Financial Officer(f)	47,500	*
All current directors and NEOs, Executive Officers, Treasurer and the Chief Accounting Officer as a group (19 persons as a group)	9,940,158	10.74%

\* Represents less than 1% of our outstanding common stock.

(a) For purposes of this table, beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, pursuant to which a person or group of persons is deemed to have beneficial ownership of a security if that person has the right to acquire beneficial ownership of such security within 60 days. Therefore, it includes the number of shares of Common Stock that could be purchased by exercising stock options that were exercisable as of January 15, 2010 or within 60 days after that date, as follows: Mr. Alemán-Bermúdez, 672,000; Mr. Odell, 175,000; and Mr. Rivera-Sanfeliz, 382,110; and all current directors and executive officers as a group, 1,678,110. Also, it includes shares granted under the First BanCorp 2008 Omnibus Incentive Plan, subject to transferability

restrictions and/or forfeiture upon failure to meet vesting conditions, as follows: Mr. Menéndez-Cortada, 2,685; Mr. Díaz-Irizarry, 2,685; Mr. Ferrér-Canals, 2,685; Ms. Umpierre-Catinchi, 2,685; Mr. Rodríguez-Amaro, 2,685; Mr. Nevares-La Costa, 2,685 Mr. Kolodziej-Castro, 2,685; and Rodríguez-Perelló, 2,685. The amount does not include shares of Common Stock represented by units in a unitized stock fund under our Defined Contribution Plan.

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- (b) This amount includes 22,460 shares owned separately by his spouse.
- (c) This amount includes 9,000 shares owned jointly with her spouse.
- (d) This amount includes 3,941,459 shares owned by Mr. Nevares-La Costa's father over which he has voting and investment power as attorney-in-fact.
- (e) Mr. Beauchamp-Rodríguez resigned as Chief Executive Officer of the Corporation on September 28, 2009.
- (f) Mr. Scherrer resigned as Chief Financial Officer of the Corporation on July 31, 2009.

**(3) Beneficial Ownership of Preferred Stock by Directors and Executive Officers:**

<b>Name of Beneficial Owner</b>	<b>Title of Securities</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
José Menéndez-Cortada Chairman of the Board of Directors	Series A Preferred Stock	1,500	*
	Series B Preferred Stock	500	*
	Series C Preferred Stock	2,000	*
	Series D Preferred Stock	6,000	*
Jorge L. Díaz-Irizarry Director	Series B Preferred Stock	2,150	*
Sharee Ann Umpierre-Catinchi Director	Series E Preferred Stock	92,000	1.21%
Héctor M. Nevares-La Costa Director	Series A Preferred Stock	18,000(a)	*
	Series B Preferred Stock	73,300(b)	2.44%
	Series C Preferred Stock	22,000	*
	Series D Preferred Stock	82,800(c)	2.25%
All current directors and NEOs, Executive Officers, Treasurer and the Chief Accounting Officer as a group	Series A Preferred Stock	19,500	*
	Series B Preferred Stock	75,950	2.53%
	Series C Preferred Stock	24,000	*
	Series D Preferred Stock	89,100	%
	Series E Preferred Stock	96,300	2.421.27%

\* Represents less than 1% of applicable class of preferred stock.

- (a) This amount includes 8,000 shares held in a trust for the benefit of Mr. Nevares-La Costa's parents over which Mr. Nevares-La Costa has voting and investment power as trustee.
- (b) This amount includes 20,000 shares owned by Mr. Nevares-La Costa's parents over which he has voting and investment power as attorney-in-fact.
- (c) This amount includes 6,400 shares owned by Mr. Nevares-La Costa's parents over which he has voting and investment power as attorney-in-fact.



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

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

The composition of our Board of Directors changed in various respects during 2009. Effective September 28, 2009, Mr. Luis Beauchamp-Rodríguez resigned as President, Chief Executive Officer ( CEO ), director and Chairman of the Board. Immediately thereafter, the Board appointed Mr. José Menéndez-Cortada, previously Lead Independent Director, to serve as non-executive Chairman of the Board. Effective May 19, 2009, Mr. José Teixidor resigned as a director. On October 27, 2009 at a regularly scheduled meeting of the Board, the Board resolved to reduce the number of Board seats from eleven (11) to nine (9). Accordingly, nine (9) nominees are standing for election as director.

Our By-laws provide that the Board of Directors of the Corporation will consist of a number of members fixed from time to time by resolution of a majority of the Board, provided that the number of directors is always an odd number and not less than five nor more than fifteen. The Board currently has nine members. In accordance with our Restated Articles of Incorporation and By-laws, director nominees stand for election annually. The individuals elected serve for one-year terms expiring at the 2011 Annual Meeting and, with respect to each director, until his or her successor is elected and qualified. If stockholders do not elect a nominee who is serving as a director, Puerto Rico corporation law provides that the director would continue to serve on the Board as a holdover director. Under our Bylaws, an incumbent director who is not elected by a majority of the required votes must tender his or her resignation to the Board promptly following certification of the stockholder vote. The Board must act on the tendered resignation within 90 days following certification of the stockholder vote and must take action with respect to the vacancy on the Board in accordance with the vacancy provision of the By-laws, which states that any director elected by an affirmative vote of the majority of the Board to fill a vacancy will serve until the next election of directors by stockholders.

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

Unless otherwise directed, each proxy executed and returned by a stockholder will be voted FOR the election of the nominees listed below. If any nominee should be unable or unwilling to stand for election at the time of the Annual Meeting, the proxies will nominate and vote for the replacement nominee or nominees as the Board may propose. At this time, the Board knows of no reason why any of the persons listed below may not be able to serve as a director if elected. On February 22, 2010, the Board approved the inclusion of the nominees on our 2010 Annual Meeting proxy card.

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

**Director Qualifications**

The Board nominees each have the qualifications and experience to focus on the complex issues confronting us and the financial industry. Our Board consists of individuals with the skills, experience and backgrounds necessary to enhance our ability to solve problems arising in connection with the current economic environment and the complex financial and regulatory issues that we face.

The nominees listed below are leaders in business, finance, accounting and academia because of their intellectual acumen and analytic skills, strategic vision, ability to lead and inspire others to work with them, and records of outstanding accomplishments over a period of decades. Each has been chosen to stand for election in part because of his or her ability and willingness to ask difficult questions, understand our unique challenges and evaluate the strategies proposed by management, as well as their implementation.

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



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

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

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

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

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

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

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

*Financial Reporting:* Direct or supervising experience in the preparation of financial statements, as well as finance and accounting expertise. Our internal control over financial reporting is designed to ensure that our financial reporting and financial statements are prepared in accordance with generally accepted accounting principles. While the board and its committees are not responsible for preparing our financial statements, they have oversight responsibility, including the selection of outside independent auditors, subject to shareholder ratification.

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

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**Nominees Standing for Election as Directors for a One-year Term Expiring 2011**

**Aurelio Alemán-Bermúdez, 51  
President and Chief Executive Officer**

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

**Director Qualifications:**

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

Positions held at CitiBank and N.A., Chase Manhattan Bank, N.A., provide knowledge in financial consumer business and consumer credit areas, credit, operations and technology.

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

Over 30 years of experience in the financial services industry. In his role as Chief Operating Officer of First BanCorp, and his prior experience as Vice President of CitiBank, N.A. and Chase Manhattan Bank, N.A., Mr. Alemán has gained extensive financial services, consumer business, corporate business and risk management experience.

**Jorge L. Díaz-Irizarrry, 55**

Executive Vice President and member of the Board of Directors of Empresas Díaz, Inc. from 1981 to present, and Executive Vice President and Director of Betterroads Asphalt Corporation, Betterrecycling Corporation, and Coco Beach Development Corporation, and its subsidiaries. Member of the Chamber of Commerce of Puerto Rico, the

Association of General Contractors of Puerto Rico and the U.S. National Association of General Contractors; member of the Board of Trustees of Baldwin School of Puerto Rico. Director since 1998.

Director Qualifications:

Board director experience acquired with over 25 years as director of Empresas Diaz and Betterroads Asphalt Corporation and its subsidiaries.

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Experience in multiple industries, including, residential construction, residential and hotel development, leisure management and road construction obtained as Executive Vice President of Empresas Díaz, Inc., Betterroads Asphalt Corporation, Betterrecycling Corporation, and Coco Beach Development Corporation.

**José L. Ferrer-Canals, 50**

Doctor of Medicine in private urology practice since 1992. Commissioned captain in the United States Air Force Reserve March 1991. Honorably discharged with rank of Major in 2005. Member of the Alpha Omega Alpha Honor Medical Society since induction in 1986. Member of the Board of Directors of the American Cancer Society, Puerto Rico Chapter, from 1999 to 2003. Member of the Board of Directors of the American Red Cross, Puerto Rico Chapter, from 2005 to November 2009. Obtained a Master of Business Administration degree from the University of New Orleans, of the Louisiana State University System, on September 2007. Member of the Board of Directors of Aspenall Energies, a privately-held company dedicated to the installation and management of alternative energy projects, since February 2009. Director of Global Petroleum Environmental Technologies of Puerto Rico Crop. (GPET), a privately-held company dedicated to soil and ground water contamination remediation since February 2010. Director since 2001.

**Director Qualifications:**

Directorships held at multiple companies, including Aspenall, Global Petroleum Environmental Technologies and First BanCorp provide Board director experience.

Knowledge and insight into managerial responsibilities from experience for over 18 years as a Doctor of Medicine.

**Frank Kolodziej-Castro, 65**

President and Chief Executive Officer of Centro Tomográfico de Puerto Rico, Inc. since 1978; Somascan, Inc. since 1983; Instituto Central de Diagnóstico, Inc. since 1991; Advanced Medical Care, Inc. since 1994; Somascan Plaza, Inc. and PlazaMED, Inc. since 1997; International Cyclotrons, Inc. since 2004; and Somascan Cardiovascular since January 2007, all of which are related entities. Pioneer in the Caribbean in the areas of Computerized Tomography (CT), Digital Angiography (DSA), Magnetic Resonance Imaging (MRI), and PET/CT-16 (Positron Emission Tomography). Mr. Kolodziej was previously a member of the Board of Directors of the Corporation from 1988 to 1993 and has been a Director since July 2007.

**Director Qualifications:**

Leadership qualities obtained by serving as President and CEO of Centro Tomográfico de Puerto Rico, Inc., Somascan, Inc., Instituto Central de Diagnóstico, Inc., Advanced Medical Care, Inc., Somascan Plaza, Inc., and PlazaMED, Inc., International Cyclotrons, Inc. and Somascan Cardiovascular.

In depth knowledge of corporate business and risk management acquired from owning and operating multiple businesses.

Board experience gained from prior director positions held with First BanCorp.

**José Menéndez-Cortada, 62**  
**Chairman of the Board**

A graduate of the Boston College Carroll School of Management with a Major in Finance. Upon obtaining his Juris Doctor degree from the InterAmerican University School of Law, in Puerto Rico, he commenced work in the Tax Department of Price Waterhouse LLP ( PW ). While at PW, he took a leave of absence to pursue a Masters in Law (in taxation) at the NYU Law School. He returned to the firm and worked as a Tax Manager until 1976. In 1977 he joined a legal partnership, which is now a professional service corporation operating under the name of Martínez-Alvarez, Menéndez-Cortada & Lefranc-Romero, PSC. Until 2009, he was the director and vice president in charge of the corporate and tax divisions. The firm is a full service firm specializing in Commercial, Real Estate and Construction Law. He has served as Counsel to the Board of Bermudez & Longo, S.E. since 1985, director of Tasis

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Dorado School since 2002, director of the Homebuilders Association of Puerto Rico since 2002, trustee of the Luis A. Ferré Foundation, Inc. (Ponce Museum) since 2002 and co-chairman of the audit committee of that foundation since 2009. Among his past experiences are his services as treasurer and president of USO of Puerto Rico and later as Chairman for the Caribbean. For more than 15 years, he has served as ad honorem professor of continuous education in the local CPA Association. Director since April 2004. Served as Lead Independent Director between February 2006 and September 2009. Chairman of the Board of Directors since September 2009.

**Director Qualifications:**

Leadership qualities and director experience attained from having held multiple positions including Director of the Homebuilders Association of Puerto Rico, trustee of the Luis A. Ferré Foundation, Inc., Chairman of the USO for the Caribbean and Lead Independent Director of First BanCorp.

Extensive legal, taxation, accounting and business acumen obtained from positions held at Martínez-Alvarez, Menéndez-Cortada & Lefranc-Romero, PSC, Price Waterhouse LLP and Bermudez & Longo, S.E.

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

Audit committee experience acquired from serving as trustee and co-chairman of the audit committee of the Luis A. Ferré Foundation, Inc. (Ponce Museum).

**Héctor M. Nevares-La Costa, 59**

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

**Director Qualification:**

Director capabilities, including Audit Committee experience, acquired from serving on the boards of the Government Development Bank for Puerto Rico, V. Suarez & Co., and Suiza Realty SE, Indulac and publicly-held Dean Foods.

Corporate business knowledge, leadership abilities and risk management capabilities obtained from experience as President and CEO of Suiza Dairy.

Insight into the financial and development industries obtained from positions held at Government Development Bank for Puerto Rico, V. Suarez & Co., Suiza Realty SE, Indulac and Dean Foods.

**Fernando Rodríguez-Amaro, 61**

Certified Public Accountant, Certified Fraud Examiner, Certified Valuation Analyst and Certified Financial Forensics. Managing Partner and Partner in Charge of the Audit and Accounting Division of RSM ROC & Company. Has been with RSM ROC & Company for the past twenty-nine years and prior thereto served as Audit Manager with Arthur Andersen & Co. for over nine years, from June 1971 to October 1980. Mr. Rodríguez Amaro has over 38 years of public accounting experience. He has served clients in the banking, insurance, manufacturing, construction, government, advertising, radio broadcasting and services industries. Member of the Board of Trustees of Sacred Heart University of Puerto Rico since August 2003, serving as member of the Executive Committee and Chairman of the Audit Committee since 2004. Member of the Board of Trustees of Colegio Puertorriqueño de Niñas



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since 1996, and also as a member of the Board of Directors from 1998 to 2004 and since late 2008 and, member of the Board of Directors of Proyecto de Niños de Nueva Esperanza, Inc. since 2003. Director since November 2005.

Director Qualifications:

Extensive background in accounting, audit, fraud examination and financial forensics obtained over 38 years of experience in the field.

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

Knowledge of multiple industries, including banking, insurance, manufacturing, construction, government, advertising, radio broadcasting and services industries, attained from clients served at Arthur Andersen and RSM ROC & Company.

Leadership experience obtained from director positions held in non-for-profits including the Sacred Heart University of Puerto Rico, Colegio Puertorriqueño de Niñas and Proyecto de Niños de Nueva Esperanza.

**José F. Rodríguez-Perelló, 60**

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

Director Qualification:

Extensive background in the financial industry, having held key posts at the Government Development Bank for Puerto Rico and Prudential Bache, PR.

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

Has outside board experience for approximately 20 years, serving on the boards of Ledesma & Rodríguez Insurance Group, Inc. and the Government Development Bank for Puerto Rico.

**Sharee Ann Umpierre-Catinchi, 50**

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

Director Qualifications:

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

Academic acumen acquire as Associate Professor at the University of Puerto Rico's Department of Obstetrics and Gynecology.

Experience in the financial industry as Director of First BanCorp for seven years.

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**Required Vote**

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

**Recommendation of the Board of Directors**

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH INDIVIDUAL NOMINATED TO SERVE AS A DIRECTOR.**

**Information About Executive Officers Who Are Not Directors**

The executive officers of the Corporation and FirstBank who are not directors are listed below.

**Orlando Berges-González, 52**  
**Executive Vice President and Chief Financial Officer**

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

**Calixto García-Vélez, 42**  
**Executive Vice President, Florida Region Executive**

Mr. García-Vélez has been Executive Vice President and FirstBank Florida Regional Executive since March 2009. Mr. García-Vélez was most recently President and CEO of Doral Bank and EVP and President of the Consumer Banking Division of Doral Financial Corp in Puerto Rico. He was a member of Doral Bank's Board of Directors. He held those positions from September 2006 to November 2008. Previous to this, Mr. García-Vélez served as President of West Division of Citibank, N.A., responsible for the Bank's businesses in California and Nevada from 2005 to August 2006. From 2003 to 2006 he served as Business Manager for Citibank's South Division where he was responsible for Florida, Texas, Washington D.C., Virginia, Maryland and Puerto Rico. Mr. García-Vélez had served as President of Citibank, Florida from 1999 to 2003. During his tenure, he served on the Boards of Citibank F.S.B. and Citibank West, F.S.B.

**Ginoris Lopez-Lay, 41**  
**Executive Vice President and Retail and Banking Executive**

Graduated from the University of Pennsylvania with a bachelor degree in Economics and a MBA from the University of Michigan. Her professional trajectory started in 1989 as a Financial Analyst of the Finance and Strategic Planning Group in Banco Popular de Puerto Rico. She was later promoted to Vice President of Strategic Planning and then as a Senior Vice President and Manager of the Strategic Planning and Marketing Division. Member of the Board of Directors (since 2001) and Vice Chairman (since 2005) of the Center for the New Economy, and was advisor to the Board of Trustees of the Sacred Heart University from 2003 to 2004. Joined First BanCorp in 2006 as Senior Vice President, leading the Retail Financial Services Division and establishing the Strategic Planning Department. Executive Vice President of Retail and Business Banking Division since March 2010.

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**Emilio Martínó-Valdés, 59**

**Executive Vice President and Chief Lending Officer**

Chief Lending Officer and Executive Vice President of FirstBank since October 2005. Senior Vice President and Credit Risk Manager of FirstBank from June 2002 to October 2005. Staff Credit Executive for FirstBank's Corporate and Commercial Banking business components since November 2004. First Senior Vice President of Banco Santander Puerto Rico; Director for Credit Administration, Workout and Loan Review, from 1997 to 2002. Senior Vice President for Risk Area in charge of Workout, Credit Administration, and Portfolio Assessment for Banco Santander Puerto Rico from 1996 to 1997. Deputy Country Senior Credit Officer for Chase Manhattan Bank Puerto Rico from 1986 to 1991. Director of First Mortgage, Inc. since October 2009. Director of FirstBank Florida from August 2006 until July 2009.

**Lawrence Odell, 61**

**Executive Vice President, General Counsel and Secretary**

Executive Vice President, General Counsel and Secretary since February 2006. Senior Partner at Martínez Odell & Calabria since 1979. Has over 26 years of experience in specialized legal issues related to banking, corporate finance and international corporate transactions. Served as Secretary of the Board of Pepsi-Cola Puerto Rico, Inc. from 1992 to 1997. Served as Secretary to the Board of Directors of BAESA, S.A. from 1992 to 1997. Director of FirstBank Puerto Rico Securities Corp., First Management of Puerto Rico, and First Resolution Company since March 2009.

**Cassan Pancham, 49**

**Executive Vice President and Eastern Caribbean Region Executive**

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

**Dacio A. Pasarell-Colón, 61**

**Executive Vice President and Banking Operations Executive**

Executive Vice President and Banking Operations Executive since September 2002. Had over 27 years of experience at Citibank N.A. in Puerto Rico, which included the following positions: Vice President, Retail Bank Manager, from 2000 to 2002; Vice President and Chief Financial Officer from 1996 to 1998; Vice President, Head of Operations Caribbean Countries from 1994 to 1996; Vice President Mortgage and Automobile Financing; Product Manager, Latin America from 1986 to 1994; Vice President, Mortgage and Automobile Financing Product Manager for Puerto Rico from 1986 to 1996. President of Citiseguros PR, Inc. from 1998 to 2001. Chairman of Ponce General Corporation and Director of FirstBank Florida from April 2005 until July 2009.

**Nayda Rivera-Batista, 36**

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

Senior Vice President and Chief Risk Officer since April 2006 and promoted to Executive Vice President in January 2008. Senior Vice President and General Auditor from July 2002 to April 2006. She is a Certified Public Accountant,

Certified Internal Auditor and Certified in Financial Forensics. With more than 14 years of combined work experience in public company, auditing, accounting, financial reporting, internal controls, corporate governance, risk management and regulatory compliance. Served as a member of the Board of Trustees of the Bayamón Central University from January 2005 to January 2006. Joined the Corporation in 2002. Director of FirstMortgage, FirstBank Overseas Corp., and FirstBank Puerto Rico Securities Corp since October 2009.

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**Randolfo Rivera-Sanfeliz, 56**  
**Executive Vice President and Wholesale Banking Executive**

Executive Vice President in charge of the corporate banking, government and institutional, structure finance and cash management areas of FirstBank since June 1998 and since October 2005 also in charge of real estate lending, and commercial mortgage lending. Recently was given the responsibility over FirstBank Puerto Rico Securities and the Floor Plan unit in Puerto Rico. Vice President and component executive for local companies, public sector and institutional markets for Chase Manhattan Bank, N.A. in Puerto Rico from April 1990 to December 1996. Corporate Finance Executive in charge of the Caribbean and Central American region for Chase Manhattan Bank in Puerto Rico from January 1997 to May 1998. Director of FirstBank Puerto Rico Securities Corp since October 2009.

**Certain Other Officers**

**Víctor M. Barreras-Pellegrini, 41**  
**Senior Vice President and Treasurer**

Senior Vice President and Treasurer since July 6, 2006. Previously held various positions with Banco Popular de Puerto Rico from January 1992 to June 2006, including Fixed-Income Portfolio Manager of the Popular Assets Management division from 1998 to 2006 and Investment Officer in the Treasury division from 1995 to 1998. Director of FirstBank Overseas Corp. and First Mortgage since August 2006. He has over 16 years of experience in banking and investments and holds the Chartered Financial Analyst designation. Joined the Corporation in 2006.

**Pedro Romero-Marrero, 36**  
**Senior Vice President and Chief Accounting Officer**

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

The Corporation's By-laws provide that each officer shall be elected annually at the first meeting of the Board of Directors after the annual meeting of stockholders and that each officer shall hold office until his or her successor has been duly elected and qualified or until his or her death, resignation or removal from office.

**CORPORATE GOVERNANCE AND RELATED MATTERS**

**General**

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

**Code of Ethics**

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



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chief accounting officer, the controller, the treasurer, the tax manager, the general counsel, the general auditor, any assistant general counsel responsible for finance matters, any assistant controller and any regional or business unit financial officer. The Code states the principles to which senior financial officers must adhere in order to act in a manner consistent with the highest moral and ethical standards. The Code imposes a duty to avoid conflicts of interest and to comply with the laws and regulations that apply to the Corporation and its subsidiaries, among other matters. Only the Board, or a duly authorized committee of the Board, may grant waivers from compliance with this Code. Any waiver of any part of the Code will be promptly disclosed to stockholders on our website at [www.firstbankpr.com](http://www.firstbankpr.com). Neither the Audit Committee nor the General Counsel received any requests for waivers under the Code in 2009.

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

## **Independence of the Board of Directors**

The Board annually evaluates the independence of its members based on the criteria for determining independence identified by the NYSE, the SEC and our Independence Principles for Directors. Our Corporate Governance Guidelines and Principles requires that a majority of the Board be composed of directors who meet the requirements for independence established in our Independence Principles for Directors, which incorporates the independence requirements established by the NYSE and the SEC. The Board has concluded that the Corporation has a majority of independent directors. The Board has determined that Messrs. José L. Ferrer-Canals, Jorge L. Díaz- Irizarry, Fernando Rodríguez-Amaro, José Menéndez-Cortada, Sharee Ann Umpierre-Catinchi, Héctor M. Nevares-La Costa, Frank Kolodziej-Castro and José Rodríguez-Perelló are independent under the Independence Principles for Directors, taking into account the matters discussed under Certain Transactions and Related Person Transactions.

Mr. Aurelio Alemán-Bermúdez, President and Chief Executive Officer since September 28, 2009 and previously Senior Executive Vice President and Chief Operating Officer, is not considered to be independent as he is a management Board member. During 2009, the independent directors usually met in executive sessions without management present on days when there were regularly scheduled Board meetings. In addition, non-management directors separately met seven times during 2009 with José Menéndez-Cortada, Chairman of the Board since September 28, 2009 and previously Lead Independent Director, serving as chairman during the meetings.

## **Board Leadership Structure**

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

**Board s Role in Risk Oversight**

The Board oversees our enterprise risk management framework through the Audit Committee, the Credit Committee, the Asset/Liability Committee, the Strategic Planning Committee and the Compensation and Benefits

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Committee. Each one of the Board designated committees has a distinct charter and role within the governance and risk management hierarchy of the Corporation. The charters, which are posted on our website, define the roles and responsibilities of the committee's members, responsibility for risk oversight, and specify relationships among the committees, the Board and management.

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

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

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

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

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

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

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

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

## **Director Stock Ownership**

The Board believes that appropriate stock ownership by directors further aligns their interests with those of our stockholders. Accordingly, in August 2007, the Board adopted Director Stock Ownership Requirement Guidelines (the Guidelines) for all non-management directors, which became effective upon adoption. Non-management directors

are expected to hold an investment position in our Common Stock having a cost basis, except as described below, equivalent to at least \$250,000. Shares of Common Stock owned by the non-management directors upon the adoption of the Guidelines were considered for purposes of compliance. In this respect, the amount of shares of Common Stock owned by the non-management directors was valued at the greater of the historical cost or the market value at the close of the market on August 28, 2007, the date the Guidelines were adopted. Upon meeting the ownership goal, that number of shares, considering stock split adjustments, becomes fixed and must be maintained until the end of the director's service on the Board. Directors are required to achieve the ownership goal within three

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years after the later of the Board's adoption of the Guidelines or the director's appointment to the Board. In reaching the ownership requirement, annual investments are expected to be made in equal proportions throughout the three-year period. The Guidelines are administered by the Corporate Governance and Nominating Committee of the Board. The Committee has the discretion to submit for approval by the Board and the Board may at any time approve amendments or modifications to the Guidelines.

## **Communications with the Board**

Stockholders or other interested parties who wish to communicate with the Board may do so by writing to the Chairman of the Board in care of the Office of the Corporate Secretary at the Corporation's headquarters, 1519 Ponce de León Avenue, Santurce, Puerto Rico 00908 or by e-mail to [directors@firstbankpr.com](mailto:directors@firstbankpr.com). Communications may also be made by calling the following telephone number: 1-787-729-8109. Communications related to accounting, internal accounting controls or auditing matters will be referred to the Chair of the Audit Committee. Depending upon the nature of other concerns, it may be referred to our Internal Audit Department, the Legal or Finance Department, or any other appropriate department. As they deem necessary or appropriate, the Chairman of the Board or the Chair of the Audit Committee may direct that certain concerns communicated to them be presented to the Audit Committee or the Board, or that they receive special treatment, including through the retention of outside counsel or other outside advisors.

## **Board Meetings**

The Board is responsible for directing and overseeing the business and affairs of the Corporation. The Board represents the Corporation's stockholders and its primary purpose is to build long-term stockholder value. The Board meets on a regularly scheduled basis during the year to review significant developments affecting the Corporation and to act on matters that require Board approval. It also holds special meetings when an important matter requires Board action between regularly scheduled meetings. The Board met nineteen (19) times during fiscal year 2009. Each member of the Board participated in at least 75% of the Board meetings held during fiscal year 2009. While we have not adopted a formal policy with respect to directors' attendance at annual meetings of stockholders, we encourage our directors to attend such meetings. All of the Corporation's directors attended the 2009 annual meeting of stockholders.

## **Board Committees**

The Board has six standing committees: the Audit Committee, the Compensation and Benefits Committee, the Corporate Governance and Nominating Committee, the Asset/Liability Committee, the Credit Committee and the Strategic Planning Committee. In addition, from time to time and as it deems appropriate, the Board may also establish ad-hoc committees, which are to be created for a one-time purpose to focus on examining a specific subject or matter. These ad-hoc committees are to be created with a deadline by which they must complete their work, or will expire. The only current ad-hoc committee is the Capital Committee. The members of the committees are appointed and removed by the Board, which also appoints a chair for each committee. The functions of those committees, their current members and the number of meetings held during 2009 are set forth below. Each member of the Board participated in at least 75% of the aggregate of the total number of meetings held by all committees of the Board on which he/she served (during the periods that he/she served) during fiscal year 2009.

## **Audit Committee**

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

As set forth in the Audit Committee charter, the Audit Committee represents and assists the Board in fulfilling its responsibility to oversee management regarding (i) the conduct and integrity of our financial reporting to any governmental or regulatory body, shareholders, other users of our financial reports and the public; (ii) the performance of our internal audit function; (iii) our systems of internal control over financial reporting and disclosure controls and procedures; (iv) the qualifications, engagement, compensation, independence and

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performance of our independent auditors, their conduct of the annual audit of our financial statements, and their engagement to provide any other services; (v) our legal and regulatory compliance; (vi) the application of our related person transaction policy as established by the Board; (vii) the application of our codes of business conduct and ethics as established by management and the Board; and (viii) the preparation of the audit committee report required to be included in our annual proxy statement by the rules of the SEC.

The current members of this Committee are Messrs. Fernando Rodríguez-Amaro, Chairman since January 2006, José Ferrer-Canals and Héctor M. Nevares-La Costa. Each member of the Audit Committee is financially literate, knowledgeable and qualified to review financial statements. The audit committee financial expert designated by the Board is Fernando Rodríguez-Amaro. The Audit Committee met a total of twenty-two (22) times during 2009.

### **Audit Committee Report**

In the performance of its oversight function, the Audit Committee has reviewed and discussed the audited financial statements of the Corporation for the fiscal year ended December 31, 2009 with management and PricewaterhouseCoopers LLP, the Corporation's independent registered public accountants. The Audit Committee has also discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board. Finally, the Audit Committee has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, has considered whether the provision of non-audit services by the independent registered public accounting firm to the Corporation is compatible with maintaining the auditors' independence, and has discussed with the independent registered public accountants its independence from the Corporation and its management. These considerations and discussions, however, do not assure that the audit of the Corporation's financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board, that the financial statements are presented in accordance with generally accepted accounting principles in the United States or that the Corporation's registered public accountants are in fact independent.

The members of the Audit Committee are not engaged professionally in rendering, auditing or accounting services on behalf of the Corporation nor are they employees of the Corporation. The Audit Committee relies, without independent verification, on the information provided and on the representations made by management regarding the effectiveness of internal control over financial reporting, that the financial statements have been prepared with integrity and objectivity and that such financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Audit Committee also relies on the opinions of the independent auditors on the consolidated financial statements and the effectiveness of internal control over financial reporting.

Based on the Audit Committee's consideration of the audited financial statements and the discussions referred to above with management and the independent registered public accountants, and subject to the limitations on the role and responsibilities of the Audit Committee set forth in the Charter and those discussed above, the Committee recommended to the Board that the Corporation's audited financial statements be included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2009 for filing with the SEC.

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

Fernando Rodríguez-Amaro (Chairman)  
José L. Ferrer-Canals

Héctor M. Nevares-La Costa

**Compensation and Benefits Committee**

The Compensation and Benefits Committee charter provides that the Committee is to be composed of a minimum of three directors who meet the independence criteria established by the NYSE and our Independence



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Principles for Directors. In addition, the members of the Committee are independent as defined in Rule 16b-3 under the Exchange Act. The Committee is responsible for the oversight of our compensation policies and practices including the evaluation and recommendation to the Board of the proper and competitive salaries and competitive incentive compensation programs of the executive officers and key employees of the Corporation. The responsibilities and duties of the Committee include the following:

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

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

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

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

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

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

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

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

The current members of this Committee are Messrs. Sharee Ann Umpierre-Catinchi, Chairperson since August 2006, Jorge Díaz-Irizarry and José L. Ferrer-Canals (who was appointed to the Committee on October 27, 2009). Mr. José Teixidor-Méndez was a member of this Committee until his resignation from the Board in May 2009. Upon Mr. Teixidor-Méndez's resignation in May 2009, Mr. Menéndez-Cortada was appointed member of the Committee through October 27, 2009. The Compensation and Benefits Committee met a total of five (5) times during fiscal year 2009.

## **Corporate Governance and Nominating Committee**

The Corporate Governance and Nominating Committee charter provides that the Committee is to be composed of a minimum of three directors who meet the independence criteria established by the NYSE, the SEC and the our

Independence Principles for Directors. The responsibilities and duties of the Committee include, among others, the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

The current members of this committee are Messrs. José Menéndez-Cortada, Chairman of the Committee since October 27, 2009, José L. Ferrer-Canals, and Frank Kolodziej-Castro. The Corporate Governance and Nominating Committee met a total of five (5) times during fiscal year 2009.

***Succession Management***

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

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potential employees for executive positions. In order to build a succession plan that will create a strong talent pool, we went through a five-step process: