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FIRST BANCORP /PR/
Form DEF 14A
March 25, 2002

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

Filed by the Registrant /X/
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Check the appropriate box:

- / / Preliminary Proxy Statement
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- /X/ Definitive Proxy Statement
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FIRST BANCORP PUERTO RICO

(Name of Registrant as Specified in Its Charter)

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

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

FIRST BANCORP

1519 Ponce de Leon Avenue
San Juan, Puerto Rico 00908
(787) 729-8200

NOTICE OF MEETING AND PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 30, 2002

To the Stockholders of First BanCorp Puerto Rico:

NOTICE IS HEREBY GIVEN that pursuant to a resolution of the Board of Directors and Section 2 of the Corporation Bylaws, the Annual Meeting of Stockholders of First BanCorp will be held at its principal offices located at 1519 Ponce de Leon Avenue, Santurce, San Juan, Puerto Rico, on Tuesday, April 30, 2002, 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 three (3) directors for a term of three years or until their successors have been elected and qualified.
2. To ratify the appointment of PricewaterhouseCoopers LLP as the Corporation's independent accountants for fiscal year 2002.
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

The stockholders or their representatives should register their credentials or proxies with the Corporation's Secretary on or before 2:00 p.m. of the day of the meeting.

The Board of Directors has set March 21, 2002, as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting.

San Juan, Puerto Rico

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March 28, 2002

By order of the Board of Directors

Antonio R. Escriba-Oliver, Esq.
Secretary

Angel Alvarez-Perez, Esq.
Chairman, President & CEO

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.

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FIRST BANCORP
1519 Ponce de Leon Avenue
Santurce, Puerto Rico 00908

ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON APRIL 30, 2002

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of First BanCorp ("the Corporation")

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for use at the Annual Meeting of Stockholders to be held at the Corporation's main offices located at 1519 Ponce de Leon Avenue, Santurce, Puerto Rico, on April 30, 2002, at 2:00 p.m., and at any adjournment thereof. This Proxy Statement is expected to be mailed to stockholders of record on or about March 28, 2002.

SOLICITATION AND REVOCATION

Proxies in the form enclosed are solicited by and on behalf of the Board of Directors. The persons named in the proxy form have been designated as proxies by the Board of Directors. Shares represented by properly executed proxies received will be voted at the Meeting in accordance with the instructions you specify in the proxy. If you do not give instructions to the contrary, each proxy received will be voted for the matters described below. Any proxy given as a result of this solicitation may be revoked by the stockholder at any time before it is exercised in the following manner: (i) submitting a written notification to the Secretary of First BanCorp, (ii) submitting a duly executed proxy bearing a later date, or (iii) appearing at the Annual Meeting and giving proper notice to the Secretary of his or her intention to vote in person. The proxies that are being solicited may be exercised only at the Annual Meeting of First BanCorp or at any adjournment of the Meeting.

Each proxy solicited hereby gives discretionary authority to the Board of Directors of the Corporation to vote the proxy with respect to (i) the election of any person as director if any nominee is unable to serve, or for good cause will not serve; (ii) matters incident to the conduct of the meeting; (iii) the approval of minutes of the previous Annual Meeting held on April 26, 2001; and (iv) such other matters as may properly come before the Annual Meeting. Except with respect to procedural matters incident to the conduct of the Annual Meeting, the Board of Directors is not aware of any business which may properly come before the Annual Meeting other than that described in this Proxy Statement. However, if any other matters come before the Annual Meeting, it is intended that proxies solicited hereby will be voted with respect to those other matters in accordance with the judgment of the person voting those proxies.

VOTING SECURITIES

The Board of Directors has fixed the close of business on March 21, 2002, as the record date for the determination of stockholders entitled to receive notice of, and to vote at, the Annual Meeting of Stockholders. At the close of business on the record date there were 26,571,952 shares of the issued and outstanding common stock of the Corporation in circulation, each of which is entitled to one vote at the Annual Meeting.

The presence, either in person or by proxy, of at least a majority of the Corporation's issued and outstanding shares of common stock in circulation is necessary to constitute a quorum. For purposes of determining quorum, abstentions and broker non-votes will be treated as shares that are present and entitled to vote. A broker non-vote results when a broker or nominee has expressly indicated that it does not have discretionary authority to vote on a particular matter. Action with respect to Proposal 1: Election of Directors, and Proposal 2: Ratification of Appointment of Independent Accountants, shall be taken by a majority of the total votes present in person or by proxy and entitled to vote. Therefore, as to such prospect, abstentions and broker non-votes will have the same effect as a vote against the proposals. Each share of common stock is entitled to one vote for the proposals to be considered.

BENEFICIAL OWNERSHIP OF SECURITIES

The following sets forth information known to the Corporation as to the persons or entities which as of March 15, 2002, by themselves or as a group, as the term is defined by section 13(d)(3) of the Securities Exchange Act of 1934,

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are the beneficial owners of 5% or more of the issued and outstanding common stock of the Corporation in circulation. All information concerning persons who may be beneficial owners of 5% or more of the stock is derived from Schedule 13(D) or 13(G) statements filed and notified to the Corporation and information submitted by individual stockholders.

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Beneficial Owners of 5% Or More:

Name	Number of Shares	Percentage (1)
FMR Corp 82 Devonshire Street Boston, MA 02109 Angel Alvarez-Perez Chairman, President and CEO First BanCorp 1519 Ponce de Leon Avenue	2,637,000	9.94%
Santurce, PR 00908 Garity & Co., Capital Management 1414 Banco Popular Center Hato Rey, Puerto Rico 00918	1,952,306	7.347%
	1,816,912	6.837%

BENEFICIAL OWNERSHIP BY DIRECTORS OR NOMINEES:

The following table sets forth information with regard to the total number of shares of the Corporation's Common Stock beneficially owned by each member of the Board of Directors and each Executive Officer and by all Directors and Executive Officers and Officers as a group. (2)

Name	Number of Shares	Percentage
Directors		
Angel Alvarez-Perez, Chairman, President and CEO	1,952,306	7.3472%
Juan Acosta-Reboyas	400	*
Jose Julian Alvarez-Bracero	6,500	*
Annie Astor-Carbonell, Senior EVP	459,924	1.73%
Rafael Bouet-Souffront	106,000	*
Jorge L. Diaz	5,800	*
Jose L. Ferrer-Canals	-0-	*
Francisco D. Fernandez	84,434	*
German E. Malaret	23,166	*
Hector M. Nevares (3)	1,300,000	4.89%
Jose Teixidor	43,580	*
Executive Officers:		
Luis M. Beauchamp, Senior EVP	302,024	1.366%
Aurelio Aleman, Executive VP	-0-	
Fernando L. Batlle, Executive VP	630	
Ricardo Ramos-Luina, Executive VP	-0-	
Randolfo Rivera, Executive VP	-0-	
Directors, Executive Officers and other Officers as a group (41 persons)	4,378,518	16.48%

* Represents less than 1%

-
- 1 As a percentage of 26,571,952 shares issued, outstanding and in circulation as of the record date of March 21, 2002.
 - 2 Information regarding the beneficial ownership by officers and directors is derived from information submitted by such officers and directors.
 - 3 Under applicable regulations, shares are deemed to be beneficially owned by a person if she or he directly or indirectly has the power to vote or dispose of such shares. Mr. Hector M. Nevares is the direct beneficial owner of 150,000 shares; however, he has the proxy to vote on an additional 1,150,000 shares over which he disclaims ownership.

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INFORMATION WITH RESPECT TO NOMINEES FOR DIRECTORS OF
FIRST BANCORP, DIRECTORS WHOSE TERMS CONTINUE AND
EXECUTIVE OFFICERS OF THE CORPORATION

The Bylaws of the Corporation provide that the Board of Directors shall consist of a number of members fixed from time to time by resolution of an absolute majority of the Board of Directors, provided that the number of directors shall always be an odd number and not less than five nor more than fifteen. The Board of Directors shall be divided into three classes as nearly equal in number as possible. The members of each class are to be elected for a term of three years and until their successors are elected and qualified. One class is elected each year on a rotating basis. The members of the Board of Directors of First BanCorp are also the members of the Board of FirstBank Puerto Rico (the "Bank"). On August 21, 1999, the Board of Directors adopted a retirement policy for directors of the Corporation and of the Bank. Under this retirement policy directors who reach 70 years of age or complete fifteen years of service on the Board may continue to serve until the end of the term to which they have been elected, but will not be eligible to stand for reelection. Pursuant to this retirement policy, directors Francisco D. Fernandez and German E. Malaret, whose three-year terms expire on April 30, 2002, will be retiring from the Board and will not seek further terms. Pursuant to resolution adopted on August 21, 1999 the Board of Directors fixed the number of directors at nine (9) effective April 30, 2002.

The information presented below regarding the time of service on the Board of Directors includes terms served on the Board of the Bank.

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 recommended by the Board of Directors. At this time, the Board of Directors of First BanCorp knows of no reason why any of the persons listed below may not be able to serve as a director if elected.

PROPOSAL #1
ELECTION OF DIRECTORS

NOMINEES FOR A THREE-YEAR TERM EXPIRING 2005

Annie Astor-Carbonell, 44
Senior Executive Vice President - Chief Financial Officer

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Certified Public Accountant. Senior Executive Vice President & Chief Financial Officer of FirstBank since March 1997. From 1987 to 1997, Executive Vice President and Chief Financial Officer. From 1984 to 1987, Senior Vice President and Comptroller. Prior to joining the Bank, Senior Auditor at Peat Marwick Mitchell & Co. Director of First Puerto Rico Growth and Income Fund, Inc. since 1998. Director of Puerto Rico Telephone Company from January 1993 to March 1999, serving as Chairperson from 1997 to March 1999. Member of the Board of Trustees of Sacred Heart University from 1991 to 1995, serving as Chairperson from 1993 to 1995. Director of First Federal Finance Corporation, First Leasing and Rental Corporation and First Bank Insurance Agency, Inc.(4) Joined the Bank in 1983. Director since 1995.

Rafael Bouet-Souffront, 55

Industrial Engineer. From 1987 to present, President of Bouet & Rodriguez, Inc., a company engaged in the installation and construction of industrial, residential and institutional electrical projects. From 1980 to 1987, President of North Caribbean Electrical Corp., electrical contractors. Director since 1998.

Jorge L. Diaz, 48

Executive Vice President and member of the Board of Directors of Empresas Diaz, Inc., general contractors, and Executive Vice President and Director of Betteroads Asphalt Corporation, asphalt pavement manufacturers, Betterecycling Corporation, recycled asphalt manufacturers, and Coco Beach Development Corporation, a real estate development company. Member of the Chamber of Commerce of Puerto Rico, the Association of General Contractors of Puerto Rico and of the U. S. National Association of General Contractors. Member of the Board of Trustees of Baldwin School of Puerto Rico and of Cushing Academy, Boston, Massachusetts. Director since 1999.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE ABOVE NOMINEES BE ELECTED AS DIRECTORS. THE VOTE OF THE HOLDERS OF THE MAJORITY OF THE TOTAL VOTES ELIGIBLE TO BE CAST AT THE ANNUAL MEETING IS REQUIRED FOR THE ELECTION OF THE NOMINEES.

4 First Federal Finance Corporation and First Leasing and Rental Corporation are wholly owned subsidiaries of FirstBank Puerto Rico; and First Bank Insurance Agency, Inc. is a wholly owned subsidiary of First BanCorp Puerto Rico.

MEMBERS OF THE BOARD CONTINUING IN OFFICE
Directors Whose Terms Expire in 2003

Jose Julian Alvarez-Bracero, 68(5)

January 1, 1999 to present, Executive Director of "Fundacion Cruz Azul de Puerto Rico, Inc." From 1995 until retirement on December 31, 1998 was President and CEO of La Cruz Azul de Puerto Rico, a medical insurance provider. From 1981 to December 1994, Executive Director, La Cruz Azul de Puerto Rico. Member of the Puerto Rico Chamber of Commerce, serving as President from 1990 to 1991. Past member of the Board of Directors of Banco Central Corporation, from April 1987 to January 1996. Director since November 1996.

Hector M. Nevares, 51

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Private Investor. Vice Chairman, Suiza Foods Corp. from 1996 to present. Partner in Suiza Realty, S.E. Member of the Board of Directors of the Government Development Bank for Puerto Rico from 1989 to 1993. Director since June 1993.

Jose Teixidor, 48

Executive Vice President and General Manager, B. Fernandez & Hnos., Inc., Chairman of the Board, Pan Pepin Inc. Chairman of the Board, Baguettes, Inc. President, Eagle Investment Fund, Inc. Member of the Board of Directors of El Nuevo Dia, Inc. Director since January 1994.

Directors Whose term Expire In 2004

Angel Alvarez-Perez, 54

Chairman, President & Chief Executive Officer

Chairman, President & Chief Executive Officer of First BanCorp since November 1998. President & Chief Executive Officer of FirstBank since 1990, and Chairman since August 1999. From March 1990 to August 1990, Executive Vice President. Prior to joining the Bank, attorney at law specializing in corporate and commercial law. From 1987 to February 1990, partner with the law firm of Vazquez, Vizcarrondo, Alvarez, Angelet & Gonzalez. Director of the Federal Home Loan Bank of New York from December 1993 to January 1995. Member of the Board of Directors of Visa International. Chairman and CEO of First Federal Finance Corporation, First Leasing & Rental Corporation and First Bank Insurance Agency, Inc. Director since 1989.

Juan Acosta-Reboyas, 46

Certified Public Accountant since 1977 and attorney at law since 1985. Partner in law firm of Acosta & Ramirez, LLP, specializing in tax and corporate law, individual tax planning, estate planning and general matters of tax and corporate law. Admitted to the Puerto Rico Bar and the U.S. Court of Appeals for the First Circuit in 1985. Former partner, accounting firm of KPGM, and former partner at law firms of Goldman Antonetti & Cordova and McConnell Valdes. Member of Puerto Rico Society of Certified Public Accountants, serving as President from 1994 to 1995. Member of American Bar Association and the American Institute of Certified Public Accountants (Member of Council, 1994 to 1995) and State Legislative Committee. Former member of the Puerto Rico Chamber of Commerce Executive Committee. Director since 2001.

Jose Luis Ferrer-Canals, 42

Doctor of Medicine in private urology practice. Commissioned Captain in the United States Air Force in March 1991 and appointed Chief of Aeromedical Service of the 482nd Medical Squadron, December 1992. Member American Association of Clinical Urologists, Alpha Omega Alpha Medical Honor Society since 1986. From 1995 to present, member Hospital Pavia Peer Group Review Committee, Hospital Pavia, San Juan P.R., Medical Faculty Representative to Hospital Pavia from 1996 to 1998. Professor of Flight Physiology and Aerospace Medicine, InterAmerican University of Puerto Rico. Member of Board of Directors of American Cancer Society, Puerto Rico Chapter 1999 to present. Director since 2001.

SENIOR EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

The following sets forth information with respect to executive officers of the Corporation and of the Bank who are not directors.

Luis M. Beauchamp, 59

Senior Executive Vice President and Chief Lending Officer

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From March 1997 to present, Senior Executive Vice President and Chief Lending Officer of FirstBank. From 1990 to March 1997, Executive Vice President, Chief Lending Officer. From 1988 to 1990, General Manager for New York banking operations for Banco de Ponce. Director of First Leasing and Rental Corporation, First Federal Finance Corp. d/b/a "Money Express." and of FirstBank Insurance Agency, Inc. Joined the Bank in 1990.

5 Not related to Chairman Angel Alvarez-Perez

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Aurelio Aleman, 43
Executive Vice President

Executive Vice President, Retail Banking of FirstBank. From 1996 to 1998, Vice President, CitiBank, N.A., responsible for wholesale and retail automobile financing and retail mortgage business. From 1994 to 1996, Vice President, Chase Manhattan Bank, N.A., Banking Operations and Technology for Corporate Capital Markets. President of First Leasing & Rental Corporation, First Federal Finance Corporation d/b/a "Money Express" and of FirstBank Insurance Agency Inc. Joined the Bank in 1998.

Fernando L. Batlle, 35
Executive Vice President

Executive Vice President - Sales and Distribution and Mortgage Banking Group of FirstBank. From April 1996 to October 1997, Managing Director Neva Management Corporation, an investment management firm. From 1994 to April 1996, Senior VP - Investments Department and Treasurer of FirstBank, and from June 1994 to December 1994, Vice President, Secondary Market at FirstBank, Puerto Rico. From September 1992 to June 1994, Harvard Business School, obtaining MBA in June 1994. From 1989 to August 1992, Assistant VP, Puerto Rico Home Mortgage. Director of First Leasing & Rental Corporation, First Federal Finance Corporation d/b/a "Money Express" and of FirstBank Insurance Agency, Inc. Joined the Bank in October 1997.

Ricardo N. Ramos-Luina, 45
Executive Vice President

Executive Vice President in charge of the Bank's Securities Department since August 1999. From November 1998 to July 1999, Executive Vice President for Reliable Financial Services, Inc., a subsidiary of Wells Fargo. From August 1992 to September 1998, Senior Vice President Finance of Oriental Financial Group. Joined the Bank in August 1999.

Randolfo Rivera, 49
Executive Vice President

Executive Vice President in charge of Corporate Banking of FirstBank since May 1998. From April 1990 to December 1996, Vice President and Component Executive for local companies, public sector and institutional markets for Chase Manhattan Bank, N.A. in Puerto Rico. From January 1997 to May 1998, Corporate Finance Executive in charge of the Caribbean and Central American Region for Chase Manhattan Bank in Puerto Rico. Joined the Bank in May 1998.

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OTHER OFFICERS OF THE CORPORATION

Luis Cabrera-Marin, 32
Senior Vice President - Treasury and Investments

Senior Vice President of the Investment and Treasury Department since May 1997. From August 1995 to May 1997, Director of Asset Management, Government Development Bank for Puerto Rico. From August 1994 to August 1995, Investment Executive, Oriental Financial Services, Inc., Puerto Rico. Joined the Bank in 1997.

Aida Garcia, 50
Senior Vice President - Human Resources

Director of Human Resources since May 1990. From 1988 to 1990, Second Vice President, Human Resources. Prior to joining the Bank, Director of Human Resources at Dr. Federico Trilla Hospital in Carolina. Joined the Bank in 1988.

Josianne Rossello, 47
Senior Vice President, Marketing and Public Relations Director

Appointed Senior Vice President in January 1997. From November 1994 to January 1997, Vice President - Marketing Director, Banco Santander de Puerto Rico. Joined the Bank in January 1997.

Carmen Gabriella Szendrey-Ramos, 34
Senior Vice President - Legal Counsel - Assistant Secretary

Attorney at Law. Appointed Vice President and Legal Counsel in October 2000. Appointed Assistant Secretary of First Bancorp on February 26, 2002 and Senior Vice President on March 1, 2002. Prior to joining the Bank, from 1997 to September 2000, Auxiliary Vice President of the Legal Division of Banco Popular de Puerto Rico. From 1995 to 1997, private law practice and Special Projects Analyst with law firm Fiddler Gonzalez & Rodriguez. Secretary of FirstBank Insurance Agency, Inc. Joined the Bank in 2000.

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Laura Villarino-Tur, 43
Senior Vice President - Comptroller

Certified Public Accountant. Appointed Senior Vice President - Comptroller of FirstBank in 1987. Vice President, Assistant Comptroller from 1984 to 1987. Prior to joining the Bank, Staff Auditor with Peat Marwick Mitchell & Co. Joined the Bank in 1984.

Antonio R. Escriba-Oliver, 67

Secretary of the Board of Directors, attorney at law, member of the law firm Melendez-Perez, Moran and Santiago. Secretary of the Board of Directors since 1987, and Secretary of the Corporation since 1998. From 1987 to present, Secretary of the Board of First Federal Finance Corporation and First Leasing and Rental Corporation.

BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors of the Corporation is composed of the same persons

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who are the directors of FirstBank. During fiscal 2001, the Board of Directors of First BanCorp held a total of five regular meetings and five extraordinary meetings and the Board of Directors of the Bank held 12 regular meetings. Each of the incumbent directors attended in excess of 75% of the aggregate of the total meetings of the Board of Directors and meetings of the Board committees on which they served.

AUDIT COMMITTEE

The Audit Committee is composed of five outside directors who are not and have never been involved in the day-to-day management of the Corporation or of the Bank. The functions of the Audit Committee include review of the reports of examination from regulatory agencies as well as review of examinations and comments from the independent accountants. The Committee also monitors the quality of the Bank's assets in order to provide for an early identification of possible problem assets. For further description of the duties and responsibilities of the composition of the Audit Committee please refer to the Audit Committee's Report in this proxy statement. The Audit Committee Charter is also included as Exhibit I to this proxy statement. During fiscal 2001, the Audit Committee met a total of eight times.

COMPENSATION COMMITTEE

The Compensation Committee is responsible for administering the executive compensation program, including the stock option plans, and for evaluating the performance of key executives, including that of the President and CEO. During fiscal 2001, the Committee was composed by Messrs. Hector M. Nevares, Jose Teixidor and Rafael Bouet. The Compensation Committee met once during 2001.

NOMINATING COMMITTEE

Pursuant to Article I, Section 14, of the Bylaws of the Corporation, the Board of Directors acts as the Nominating Committee for selecting the nominees for the election of directors at the next succeeding Annual Meeting of Stockholders. No nominations for directors except those made by the Board shall be voted upon at the Annual Meeting unless other nominations by stockholders are made in writing and delivered to the Secretary of the Bank at least thirty (30) days prior to the date of the Annual Meeting. Ballots bearing the names of the persons nominated by the Nominating Committee and by stockholders, if any, will be provided for use at the Annual Meeting.

COMPENSATION OF DIRECTORS

Outside directors of the Corporation do not receive compensation for service to the Board of the Corporation; however, they receive compensation for their service to the Board of FirstBank Puerto Rico and its committees. Outside directors receive \$1,200 for each meeting of the Board of the Bank attended. Outside directors also receive \$900 for attendance at the meetings of the Audit Committee and \$500 for attendance at the meetings of the Credit Committee and the Compensation Committee of the Board.

Officers of the Corporation, the Bank or the subsidiaries do not receive fees or other compensation for service on the boards of directors of the Corporation, the Bank, the subsidiaries or any of their committees.

The following table sets forth fees paid to outside Directors for their attendance at meetings of the Board of Directors of the Bank and committees during fiscal 2001.

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Board & Committee Meetings in 2001

Name	Board of Directors	Audit Committee	Credit Committee	Compensati Committee
Juan Acosta Reboyras	\$10,800	\$4,500	N/A	N/A
Jose Julian Alvarez	\$13,200	\$7,200	\$500	N/A
Rafael Bouet	\$13,200	N/A	\$5,000	\$500
Jorge Diaz	\$10,800	N/A	\$3,500	N/A
Francisco Fernandez	\$13,200	\$6,300	\$500	N/A
Jose L. Ferrer Canals	\$9,600	\$4,500	N/A	N/A
German Malaret	\$12,000	\$5,400	N/A	N/A
Hector M. Nevares	\$10,800	N/A	\$4,000	\$500
Antonio Pavia Villamil*	\$2,400	\$2,700	\$500	N/A
Jose Teixidor	\$13,200	N/A	\$4,000	\$500
Angel Umpierre*	\$2,400	\$2,700	\$500	N/A
TOTAL	\$111,600	\$33,300	\$18,500	\$1,500

* Directors Antonio Pavia Villamil and Angel Umpierre served until April 2001.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Board of Directors is composed of five directors who are not now and have never been employees of the Bank or of the Corporation. All members of the Committee meet the independence and experience requirements set forth under the rules of the New York Stock Exchange. The Committee operates under a written charter adopted by the Board of Directors, the adequacy of which is reviewed and assessed on an annual basis. The composition of the Audit Committee, the attributes of its members and the responsibilities of the Committee, as reflected in its charter, are intended to be in accordance with applicable requirements for corporate audit committees. A copy of the Audit Committee's Charter, as approved by the Board of Directors, is attached as Exhibit I to this proxy statement.

The Audit Committee reviews the Corporation's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In this context, the Committee has met and held discussions with management and the independent accountants. Management represented to the Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Committee has reviewed and discussed the consolidated financial statements with management and with the independent accountants.

In addition the Committee discussed with the independent accountants, PricewaterhouseCoopers LLP, their independence from the Corporation, the Bank and management. To the extent necessary, the Committee also reviewed all relationships and services that might bear on the auditors' objectivity as independent accountants. The Committee has received written affirmation from the independent accountants as required by the Independence Standards Board Standard No. 1, Independence Standards with Audit Committees, assuring their independence.

In reliance with the reviews and discussions referred to above, the committee has recommended to the Board of Directors that the Audited Financial Statements

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be included in the Corporation's Annual Report on Form 10K for fiscal year 2001 to be submitted to the Securities Exchange Commission. The Committee and the Board of Directors have also recommended, subject to stockholder approval, the re-appointment of PricewaterhouseCoopers LLP as the independent accountants for the Corporation for fiscal year 2002.

By the Audit Committee of the Board of Directors:

Juan Acosta-Reboyras
 Jose Julian Alvarez
 Francisco D. Fernandez
 Jose Luis Ferrer-Canals
 German E. Malaret

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COMPENSATION OF EXECUTIVE OFFICERS

The summary compensation table set forth below discloses compensation for the Chief Executive Officer and the most highly paid executive officers of the Corporation, FirstBank or its subsidiaries who worked with the Corporation, the Bank or such subsidiaries during any period of such fiscal year and whose total cash compensation for fiscal 2001 exceeded \$100,000 (named executives). The table includes Bonus payments granted in February 2002 were meant as compensation for performance of "Named Executives" during fiscal 2001.

Summary Compensation

Name & Position	Year	Salary (\$)	Bonus (\$)	Other (\$) (6)
Angel Alvarez-Perez Chairman, President & CEO	2001	825,000	600,000 *	5,120
	2000	675,000	500,000	4,803
	1999	675,000	500,000	4,803
Annie Astor-Carbonell Senior Executive Vice President Chief Financial Officer	2001	400,000	200,000 *	4,773
	2000	300,000	175,000	4,710
	1999	300,000	175,000	4,609
Luis M. Beauchamp Senior Executive Vice President Chief Lending Officer	2001	450,000	250,000 *	5,135
	2000	325,000	200,000	5,303
	1999	325,000	200,000	4,979
Aurelio Aleman Executive Vice President Consumer Lending Group	2001	350,000	200,000 *	4,817
	2000	250,000	175,000	4,779
	1999	250,000	150,000	3,858
Fernando Batlle Branch Banking & Mortgage Lending Department	2001	350,000	200,000 *	5,100
	2000	250,000	175,000	5,252
	1999	250,000	150,000	4,762

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Randolfo Rivera	2001	350,000	150,000 *	5,095
Executive Vice President	2000	250,000	175,000	-0-
Corporate Financing Group	1999	250,000	150,000	-0-

Ricardo Ramos-Luina	2001	200,000	40,000 *	4,889
Executive Vice President	2000	200,000	40,000	3,816
Securities Department	1999	53,078**	-0-	-0-

* Bonuses corresponding to 2001 performance were granted in February 2002.

** Represents compensation from August 1999 to December 1, 1999.

STOCK OPTION PLAN

The Stock Option Plan is intended to encourage optionees to remain in the employ of the Corporation, the Bank or its subsidiaries and to assist the Board of Directors and Management in its efforts to attract and to recruit qualified officers to serve the Corporation, the Bank or its subsidiaries. The stock subject to such stock options shall be authorized but unissued shares of the Corporation's \$1.00 par value common stock.

The Plan is administered by the Compensation Committee (the "Committee"), whose members are all outside directors appointed by the Board of Directors. All members of the Committee meet the criteria of "disinterested persons" within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934 (the "Act"). The Committee has discretion to select which eligible persons will be granted stock options, the number of shares of common stock that may be subject to such options, whether stock appreciation rights will be granted for such options and, generally, to determine the terms and conditions in accordance with the Plan. The Plan also provides for proportionate adjustments in the event of changes in capitalization resulting from, among other things, merger, consolidation, reorganization, recapitalization, reclassification, and stock dividends or splits. All options must be granted within ten years of the effective dates of the Plan. All options granted expire on the date specified in each individual option agreement, which date will not be later than the tenth anniversary of the date the option was granted. An eligible person may hold more than one option at a time. The purchase price of options granted shall not be less than the fair market value of the Corporation's common stock at the date of the grant.

6 Represents the Bank's pro rata contribution to the executive's participation in the Defined Contribution Retirement Plan.

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The Plan may be amended at any time by the Board of Directors, subject to any applicable regulatory limitation or regulatory approval requirement. However, shareholder approval is required if an amendment increases the number of shares of common stock that may be subject to options, materially changes the eligibility criteria, changes the minimum purchase price or increases the maximum term of the options.

The Plan also provides that no person shall be eligible for a stock option grant if at the date of such grant such person beneficially owns more than ten percent (10%) of the outstanding common stock of the Corporation. In addition, pursuant to the change of control provisions contained in Section 12 of the Banking Law of Puerto Rico, as amended (7 L.P.R.A. 39), to the extent that by the exercise of an option a person would acquire the beneficial ownership of

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five percent (5%) or more of the issued and outstanding common stock of the Corporation, such person must obtain the approval of the Commissioner of Financial Institutions prior to the exercise of such option. Options granted under the Plans are not transferable other than by will or the laws of descent and distribution. During the life of the optionee, the options may be exercised only by such optionee. In the event of the death or disability of an optionee, options may be exercised whether or not exercisable at the time of such death or disability within one year after the date of such death or disability, but not later than the date the option would otherwise have expired.

If the employment of an employee is terminated by retirement in accordance with the Corporation's normal retirement policies or is voluntarily or involuntarily terminated within one year after the date of a change in control, the option may be exercised within three months of such occurrence whether or not the option is exercisable at such time, but not later than the date that the option would otherwise have expired.

Options may be exercised by payment of the fair market price per share established in the Option Agreement, as adjusted for any changes in capitalization, if applicable. Payment may be in cash or at the election of the optionee, common stock of the Corporation having an aggregate fair market value equal to or less than the total option price (i.e. purchase price multiplied by the number of shares bought), plus cash. At the discretion of the Committee, the optionee could be granted stock appreciation rights with respect to an option.

In April 1987, the Stockholders ratified the Bank's first Stock Option Plan (the "1987 Plan"), which expired on January 21, 1997. As of such expiration date, no new options have been granted under the expired 1987 Plan. On April 19, 1997, the Stockholders ratified a new Stock Option Plan (the "1997 Plan"), for which 2,898,704 shares were set aside. As of December 31, 2001, there were a total of 1,035,000 shares subject to unexercised options granted under the 1997 Plan. Except to the extent limited by the Puerto Rico Internal Revenue Code of 1994, as amended, all outstanding options are now exercisable.

OPTION/GRANTS IN LAST FISCAL YEAR

No options were granted during fiscal 2001.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

The table set forth below discloses the aggregated options/SAR exercises and value realized and the number of unexercised options and the value thereof with regards to the Chief Executive Officer and the most highly paid executives (named executives) as of December 31, 2001, under the Plan. All presently unexercised options are exercisable at this time.

Name	Shares Acquired on Exercise	Value Realized	Number of Unexercised Options at 12/31/00	Value of Unexercised In-the-Money Options at 12/31/00*
Angel Alvarez-Perez	120,000	\$2,137,020	454,000	\$3,404,625
Annie Astor-Carbonell	57,000	1,015,085	91,000	761,062
Luis M. Beauchamp	57,000	995,135	104,000	879,625
Aurelio Aleman	-0-	-0-	90,000	669,875
Fernando Batlle	-0-	-0-	88,000	728,750
Randolfo Rivera	-0-	-0-	78,000	323,625

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Ricardo Ramos-Luina

-0-

-0-

15,000

90,313

* The value of unexercised in-the-money options in the table above represents the difference between the grant price of the option and the market price as of December 31, 2001, multiplied by the number of in-the-money options outstanding as of that date. At the close of business on December 31, 2001, the closing price of First BanCorp's common stock was \$28.50. The average price at which the named executives could have exercised their outstanding options as of such date was \$15.625 for options granted on 11/25/97; \$19.1875 for options granted on 2/24/98; \$27.094 for options granted on 5/26/98; \$26.00 for options granted on 11/17/98; \$22.56 for options granted 8/24/99; \$19.625 for options granted on 11/23/99; and 22.3125 for options granted on 12/13/00. As of 12/31/01, the named executives held unexercised options to purchase shares as follows: Angel Alvarez-Perez, 104,000 granted on 11/25/97, 100,000 granted on 11/17/98, 100,000 granted on 11/23/99 and 150,000 granted on 12/13/00. Annie Astor-Carbonell, 32,000 granted on 11/25/97, 16,000 granted on 11/17/98, 16,000 granted on 11/23/99 and 27,000 granted on 12/13/00. Luis M. Beauchamp, 38,000 granted on 11/25/97, 18,000 granted on 11/17/98, 18,000 granted on 11/23/99 and 30,000 granted on 12/13/00. Mr. Aurelio Aleman, 40,000 granted on 2/24/98, 12,000 granted on 11/17/98; 12,000 granted on 11/23/99 and 26,000 granted on 12/13/00. Fernando Batlle 20,000 granted on 11/26/97, 20,000 granted on 2/24/98, 12,000 granted on 11/17/98; 12,000 granted on 11/23/99 and 24,000 granted on 12/13/00. Mr. Randolpho Rivera, 40,000 granted on 5/26/98; 12,000 granted on 11/23/99 and 26,000 granted on 12/13/00. Ricardo Ramos-Luina, 10,000 granted on 8/24/99 and 5,000 granted on 12/13/00. All options were granted at an exercise price equal to the market price of First BanCorp's common stock on the date of grant. The Stock Option Plan provides for automatic adjustments in the number and price of options due to changes in capitalization resulting from stock dividends or splits. All options granted prior to May 29, 1998, have been adjusted to reflect the 100% stock split distributed on that date. No stock options were granted in fiscal 2001.

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EMPLOYMENT AGREEMENTS

The following table discloses information regarding the employment agreements of the named executives with FirstBank.

Name	Effective Date	Current Base Salary	Term of Years
Angel Alvarez-Perez	05-14-98	\$825,000	4
Annie Astor-Carbonell	04-14-98	400,000	4
Luis M. Beauchamp	05-14-98	450,000	4
Aurelio Aleman	02-24-98	350,000	4
Fernando Batlle	05-14-98	350,000	4
Randolfo Rivera	05-26-98	350,000	4

The agreements provide that on each anniversary of the date of commencement of each agreement the term of such agreement shall be automatically extended for an additional one (1) year period beyond the then-effective expiration date, unless either party receives written notice that the agreement shall not be further extended. Notwithstanding such contract, the Board of Directors may terminate the contracting officer at any time; however, unless such termination is for cause, the contracting officer will continue to be entitled to the compensation provided in the contract for the remaining term thereof. "Cause" is defined to include personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or

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similar offenses) or final cease and desist order or any material breach of any provision of the Employment Agreement.

In the event of a "change in control" of the Corporation during the term of the employment agreements, the executive shall be entitled to receive a lump sum severance payment equal to his or her then current base annual salary plus the highest cash performance bonus received by the executive in any of the four (4) fiscal years prior to the date of the change in control, multiplied by the term of years for which such contracting officer's employment agreement was to be effective on the date into which it was entered. The severance payment that each of the contracting officers would have received if his or her agreement had been terminated as of December 31, 2001, pursuant to a change of control was: Angel Alvarez-Perez, \$5,300,000; Annie Astor-Carbonell, \$2,300,000; Luis M. Beauchamp, \$2,600,000; Aurelio Aleman, \$2,100,000; Fernando Batlle, \$2,100,000; Randolph Rivera, \$2,100,000.

Pursuant to the employment agreements, a "change in control" shall be deemed to have taken place if a third person, including a group as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, becomes the beneficial owner of shares of the Corporation having 25% or more of the total number of votes which may be cast for the election of directors of the Bank, or which, by cumulative voting, if permitted by the Corporation's Charter or Bylaws, would enable such third person to elect 25% or more of the directors of the Corporation; or if, as a result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sales of assets or contested election, or any combination of the foregoing transactions, the persons who were directors of the Corporation before such transactions shall cease to constitute a majority of the Board of the Corporation or any successor institution.

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DEFINED CONTRIBUTION RETIREMENT PLAN

The Bank has a Defined Contribution Retirement Plan under Section 165(e) of Puerto Rico's Internal Revenue Act(7) which provides participating employees with retirement, death, disability and termination of employment benefits in accordance with their participation. The Plan complies with the "Employee Retirement Income Security Act of 1974 (ERISA)" and the "Retirement Equity Act of 1984 (ERA)." The Bank's employees are eligible to participate in the Plan after completing one year of service and there is no age requirement. An individual account is maintained for each participant and benefits are paid based solely on the amount of each participant's account.

Participating employees may defer from 1% to 10% of their annual salary, up to a maximum of \$8,000, into the Plan on a pre-tax basis as employee salary savings contributions. Each year the Bank will make a contribution equal to 25% of each participating employee's salary savings contribution; however, no match is provided for salary savings contributions in excess of 4% of compensation. At the end of the fiscal year, the Bank may, but is not obligated to make, additional contributions in an amount determined by the Board of Directors; however, the maximum of any additional contribution in any year may not exceed 15% of the total compensation of all eligible employees participating in the Plan and no basic monthly or additional annual matches need be made on years during which the Bank incurs a loss.

In fiscal 2001, the total contribution to the Plan by the Bank amounted to \$813,472, which funds were distributed on a pro rata basis among all participating employees. The table below sets forth the total of the Bank's

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contribution during fiscal 2001 to the named executives who participate in the Plan.

Angel Alvarez Perez	\$5,120
Annie Astor-Carbonell	4,773
Luis M. Beauchamp	5,135
Aurelio Aleman	4,817
Fernando Batlle	5,100
Ricardo Ramos-Luina	4,889

REPORT OF THE COMPENSATION COMMITTEE

The Executive Compensation Program is administered by the Compensation Committee (the "Committee"), which is composed of three (3) non-employee directors selected by the Board of Directors. During fiscal 2001 the Committee was composed of Messrs. Hector M. Nevares, Rafael Bouet and Jose Teixidor. None of the members of the Committee are or have been employees of the Corporation, the Bank or of any of its subsidiaries.

Executive Compensation Policy

The Bank operates in a highly competitive industry where the quality, creativity and professionalism of its executives are of utmost importance to the success, profitability and growth of the institution. The underlying philosophy of any effective compensation program must be to retain and recruit top executives who will make significant contributions to the promotion and achievement of the institutional goals, which will ultimately result in enhanced shareholder value. Accordingly, FirstBank has put in place a compensation policy that is designed to recruit, retain and reward key executives who demonstrate the capacity to lead the Bank in achieving its business objectives.

Objectives

- o Stimulate behavior that will lead to the attainment of the Bank's goals.
- o Provide additional short-term and long-term variable compensation to enable implementation of a pay-for-performance package.

In making their determinations for fiscal 2001, the Compensation Committee reviewed the Bank's performance as a whole and the performance of the named executives in relation to the performance goals that have been set forth. The Committee also took into consideration the performance of the Bank in comparison with the performance of other banks in the community as well as the performance of the Bank in relation to other institutions of similar size and complexity of loan portfolio and other assets. On the basis of their review, the Committee took the following actions with regard to the named executives.

Performance Bonus

The Executive Compensation Program provides for a performance bonus plan whose purpose is to maximize the efficiency and effectiveness of the operation of the Bank. The Committee has designated the CEO and the Executive Vice Presidents of the Bank as plan participants. The performance bonus is linked to the performance of the Bank as a whole as well as the achievement of individual goals by each of the named executives. Based on the Bank's performance and the performance of each of the named executives in fiscal 2001, the Committee recommended, and on February 26, 2002 the Board granted, the following performance bonuses to the following named executives: Luis M. Beauchamp, Senior Executive Vice President, \$250,000; Annie Astor-Carbonell, Senior Executive Vice President, \$200,000; Aurelio Aleman, Executive Vice President, \$200,000; Fernando Batlle, Executive Vice President, \$200,000; Randolpho Rivera, Executive Vice President, \$150,000 and Ricardo Ramos-Luina, Executive Vice President,

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\$40,000.

7 Section 165 of Puerto Rico's Internal Revenue Act is similar to Section 401(k) of the Federal Internal Revenue Code.

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Long-Term Compensation

The Executive Compensation Plan also contemplates long-term incentive compensation in the form of stock options under the Bank's Employee Stock Option Plan (the "SOP"). The Compensation Committee has discretion to select which of the eligible persons will be granted stock options, whether stock appreciation rights will be granted with such options, and generally to determine the terms and conditions of such options in accordance with the provisions of the SOP. During fiscal 2001 no options were granted.

Compensation of Chief Executive Officer

Mr. Angel Alvarez-Perez has served as President and Chief Executive Officer of FirstBank since September 1990 and as Chairman, President and CEO of First Bancorp since November 1998. On August 28, 2001, the Compensation Committee recommended, and the Board of Directors approved, adjusting the annual salary of Mr. Angel Alvarez-Perez to \$825,000. On February 26, 2002, the Committee granted the President a cash bonus of \$600,000 corresponding to performance in fiscal 2001. The compensation granted was determined in accordance with the Bank's compensation policy described above. In making such determination, the Committee took into consideration the Bank's performance during 2001, including a significant increases in First BanCorp's earnings, continued control of operating expenses, and the achievement of goals that are geared to ensure the Bank's continued trend of earnings growth that has produced excellent value for First BanCorp's stockholders.

Hector M. Nevares
 Rafael Bouet
 Jose Teixidor

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the members of the Compensation Committee has served as an officer or employee of the Corporation, the Bank or of a subsidiary of the Corporation or of the Bank.

PERFORMANCE OF FIRST BANCORP COMMON STOCK

[LINE GRAPH]

	12/31/95	12/31/96	12/31/97	12/31/98	12/31/99	12/31/00
FirstBank	\$100	\$118	\$158	\$283	\$198	\$230
S&P 500	\$100	\$124	\$164	\$211	\$255	\$234
S&P Regional Banks	\$100	\$135	\$194	\$215	\$184	\$256
S&P Supercom Banks Index	\$100	\$135	\$198	\$204	\$171	\$199

The stock performance graph set forth above compares the cumulative total shareholder return of the Bank's common stock from December 31, 1995, to December 31, 2001, with cumulative total return of the S&P 500 Market Index and the S&P Regional Bank's Index. The S&P 500 Market Index is a broad index that includes a wide variety of issuers and industries representative of a cross section of the market. The S&P Regional Bank Index includes financial institutions comparable to the Bank. In December 2001, the S&P discontinued its Regional Bank Index. The S&P Supercomposite Banks Index, a capitalization-weighted index that is composed of 87 members has been added.

OTHER EMPLOYMENT BENEFITS

The Bank's executive officers are provided life, hospitalization and medical insurance under group plans on generally the same basis as other full-time employees of the Bank. The Bank offers to all of its employees' life insurance coverage of 250% of the employees' annual salaries up to a maximum coverage of \$500,000. In the event of accidental death, the coverage is twice that amount. In addition, the Bank offers all of its employees a contributory medical and hospitalization plan and non-contributory long-term disability coverage, which will pay 60% at such employees' salaries up to a maximum of \$6,000 per month until age 65. The plans are provided through Servicios de Seguros de Salud, Inc. (SSS) a Blue Cross and Blue Shield Association of Puerto Rico.

BUSINESS TRANSACTIONS BETWEEN FIRSTBANK OR ITS SUBSIDIARIES AND EXECUTIVE OFFICERS OR DIRECTORS

During fiscal 2001, directors and officers and persons or entities related to such directors and officers were customers of and had transactions with the Bank and/or its subsidiaries. All such transactions were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time they were made for comparable transactions with other persons who are not insiders, and did not either involve more than the normal risk of uncollectibility or present other unfavorable features.

SECTION 16(a) COMPLIANCE

Based upon a review of Section 16(a) filings with the Securities Exchange Commission by directors and officers of the Corporation, Director Juan Acosta Reboyras and Jose Julian Alvarez each filed one late report. Mr. Jorge Diaz filed six late reports corresponding to purchases of preferred stock. Dr. German Malaret filed four late reports corresponding to shares acquired through the Dividend Reinvestment Plan. All transactions were subsequently reported on SEC Form 5.

AUDIT FEES

Total fees paid to PricewaterhouseCoopers LLP for professional services rendered for the annual audit of the Corporation's financial statements for fiscal 2001 were \$194,700. There were no fees paid for financial information systems design or implementation services. Other fees paid to PricewaterhouseCoopers in fiscal 2001 were for comfort letters in connection with preferred stock offerings and an employee benefit plan audit. Such other fees totaled \$43,500.

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PROPOSAL #2 RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS

The firm of PricewaterhouseCoopers LLP has been selected as the independent Certified Public Accountants of the Corporation for the fiscal year ending December 31, 2002. The firm will be represented at the Annual Meeting and representatives will have the opportunity to make a statement, if they so desire, and also will be available to respond to appropriate questions. The affirmative vote of a majority of the total votes eligible to be cast at the Annual Meeting is required for approval of this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT ACCOUNTANTS OF THE CORPORATION FOR THE FISCAL YEAR ENDING DECEMBER 31, 2002. THE VOTE OF THE HOLDERS OF THE MAJORITY OF THE TOTAL VOTES ELIGIBLE TO BE CAST AT THE ANNUAL MEETING IS REQUIRED FOR THE APPROVAL OF THIS PROPOSAL.

STOCKHOLDER PROPOSAL

Any proposal that a stockholder wishes to have presented at the next Annual Meeting of the Corporation must be received at the main offices of First BanCorp not later than December 20, 2002. If such proposal is in compliance with all of the requirements of Rule 14a-8 of the Securities Exchange Act of 1934 (the "Act"), it will be included in the Proxy Statement and set forth in the form of proxy issued for the next Annual Meeting of Stockholders. All such proposals should be sent by certified mail, return receipt requested, to the attention of the Secretary.

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OTHER MATTERS

Management of the Corporation does not know of any business to be brought before the Annual Meeting other than that specified herein. However, if any other matters are properly brought before the Meeting, it is intended that the proxies solicited hereby will be voted with respect to those other matters in accordance with the judgment of the person voting the proxies.

The cost of solicitation of proxies will be borne by the Corporation. First BanCorp has retained the services of Morrow & Co., a professional proxy solicitation firm, to assist in the solicitation of proxies. The fee arranged with Morrow & Co. is in the amount of \$3,500 plus reimbursement for out-of-pocket expenses. The Corporation will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of First BanCorp's common stock. In addition to solicitation by mail, directors, officers and employees of the Corporation may solicit proxies personally or by telephone without additional compensation.

ANNUAL REPORT

Stockholders will be sent a copy of the Corporation's Annual Report to Stockholders for the fiscal year ended December 31, 2001, prior to or accompanying the Proxy Statement. Such Annual Report is not part of the proxy solicitation material. Upon receipt of a written request, the Corporation will furnish to any stockholder, without charge, a copy of the Corporation's Annual Report on Form 10-K under Section 13 of the Securities Exchange Act of 1934 and the list of exhibits thereto required to be filed with the Securities Exchange

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Commission under applicable law. Such written request must set forth a good faith representation that the person making the request is, as of March 21, 2002, the owner of record of shares of common stock entitled to vote at the Annual Meeting and should be directed to Antonio R. Escriba-Oliver, Secretary, First BanCorp, 1519 Ponce de Leon Avenue, Santurce, Puerto Rico 00908.

BY ORDER of the Board of Directors
March 28, 2002

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EXHIBIT I

FIRST BANCORP AUDIT COMMITTEE CHARTER

I. Purpose

The Audit Committee is appointed by the Board to assist in monitoring (1) the integrity of the financial statements of the Corporation, (2) the compliance by the Corporation with legal and regulatory requirements and (3) the independence and performance of the Corporation's internal and external auditors.

II. Composition

The Audit committee shall be composed of a minimum of three Directors, as determined by the Board.

The members of the Audit committee shall meet the independence and experience requirements of the Securities and Exchange Commission and the New York Stock Exchange. The members of the Audit Committee shall be appointed by the full Board of Directors.

The Audit committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Audit Committee shall make regular reports to the Board.

I. Responsibilities

The Audit Committee shall:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Review the annual audited financial statements with management, including major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Corporation's financial statements.
3. Review analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements.

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4. Review with management and the independent auditor the Corporation's quarterly financial statements prior to the release of quarterly earnings.
5. Meet periodically with management to review the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
6. Review major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management.
7. Recommend to the Board the appointment of the independent auditor, which firm is ultimately accountable to the Audit Committee and the Board.
8. Approve the fees to be paid to the independent auditor.
9. Receive periodic reports from the independent auditor regarding the auditor's independence, discuss such reports with the auditor, and if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.
10. Evaluate together with the Board the performance of the independent Auditor and, if so determined by the Audit Committee, recommend that the Board replaces the independent auditor.

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11. Recommend to the Board the appointment and replacement of the senior internal auditing executive.
12. Review the significant reports to management prepared by the internal auditing department and management's responses.
13. Meet with the independent auditor prior to the audit to review the planning and staffing of the audit.
14. Obtain from the independent auditor assurance that Section 10A of the Private Securities Litigation Reform Act of 1995 has not been implicated.
15. Obtain reports from management, the Corporation's senior internal auditing executive and the independent auditor that the Corporation's subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Corporation's Code of Conduct.
16. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.
17. Review with the independent auditor any problems or difficulties the auditor may have encountered and any management letter provided by the auditor and the Corporation's response to that letter. Such review should include:

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- (a) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
 - (b) Any changes required in the planned scope of the internal audit.
 - (c) The internal audit department responsibilities, budget and staffing.
18. Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Corporation's annual proxy statement.
 19. Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations and with the Corporation's Code of Conduct.
 20. Review with the Corporation's General Counsel legal matters that may have a material impact on the financial statements, the Corporation's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
 21. Meet at least annually with the chief financial officer, the senior internal auditing executive and the independent auditor in separate executive sessions.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations and the Corporation's Code of Conduct.