

FIRST BANCORP /PR/  
Form 11-K  
July 14, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 11-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2007**

Or

**TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-14793

**FIRSTBANK 401 (K) RETIREMENT PLAN FOR RESIDENTS OF THE  
U.S. VIRGIN ISLANDS AND OF THE UNITED STATES OF AMERICA**

(Full title of the Plan and address of the Plan, if different from that of the issuer named below)

**FIRST BANCORP.**

1519 Ponce de León Avenue, Stop 23

Santurce, Puerto Rico 00908-0146

(Name of issuer of the securities held pursuant to the plan and the address of principal executive office)

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**FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin  
Islands and of the United States of America  
Financial Statements and Supplemental Schedule  
December 31, 2007 and 2006  
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EX-23.1 CONSENT OF PRICEWATERHOUSECOOPERS LLP

<sup>1</sup> Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

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**FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and of the United States of America  
Financial Statements and Supplemental Schedules  
December 31, 2007 and 2006**

**Report of Independent Registered Public Accounting Firm**

To the Participants and Administrator of

FirstBank 401(k) Retirement Plan for Residents of U.S. Virgin Islands and of the United States of America

In our opinion, the accompanying statements of assets available for benefits and the related statements of changes in assets available for benefits present fairly, in all material respects, the assets available for benefits of FirstBank 401(k) Retirement Plan for Residents of U.S. Virgin Islands and of the United States of America (the Plan ) at December 31, 2007 and 2006, and the changes in assets available for benefits for the year ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of Assets (Held at Year End) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

San Juan, Puerto Rico

July 9, 2008

Certified Public Accountants

(Of Puerto Rico)

License No. 216 Expires Dec. 1, 2010

Stamp 2288928 of P.R. Society of Certified

Public Accountants has been affixed to the

Filed copy of this report.

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**FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin  
Islands and of the United States of America  
Statements of Assets Available for Benefits  
December 31, 2007 and 2006**

	<b>As of December 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Investments		
Investments, at fair value	\$ 3,896,991	\$ 3,351,983
Participant loans receivable	273,843	243,136
 Total investments	 4,170,834	 3,595,119
 Receivables		
Employer contributions	144,715	132,966
Participants contributions	15,965	12,474
Other receivables, principally interest and dividends	1	1,980
 Total receivables	 160,681	 147,420
 Cash		15,649
 Assets available for benefits	 \$ 4,331,515	 \$ 3,758,188

The accompanying notes are an integral part of these financial statements.

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**FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and of the United States of America**  
**Statement of Changes in Assets Available for Benefits**  
**Year Ended December 31, 2007**

	<b>Year ended December 31, 2007</b>
<b>Additions</b>	
Investment income	
Net depreciation in fair value of investments	\$ (50,022)
Dividends and interest income	214,102
Interest income on participant loans	23,118
Total investment income	187,198
Contributions	
Employer	199,570
Participants	342,920
Rollovers from other qualified plans	57,941
Total contributions	600,431
Total additions	787,629
<b>Deductions</b>	
Benefits paid to participants	214,302
Total deductions	214,302
Increase in assets available for benefits	573,327
<b>Assets available for benefits</b>	
Beginning of year	3,758,188
End of year	\$ 4,331,515

The accompanying notes are an integral part of these financial statements.

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**FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and of the United States of America**

**Notes to the Financial Statements**

**December 31, 2007 and 2006**

**1. Description of the Plan**

**Reporting Entity**

The accompanying financial statements include the assets of the FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and of the United States of America (the Plan) sponsored by FirstBank Puerto Rico (the Bank) for its U.S. Virgin Islands and United States of America employees only. The following description of the Plan provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

**General**

The Plan is a defined contribution plan, which became effective on May 15, 1977. Effective September 1, 1991, the Plan was further amended to become a savings plan under the provisions of the U.S. Internal Revenue Code. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

**Eligibility**

All full-time employees are eligible to participate in the Plan after completion of three months of service for purposes of making elective deferral contributions and one year of service for purposes of sharing in the Company's matching, qualified matching and qualified nonelective contributions.

Employees hired on or after September 1, 2007 will be automatically enrolled in the Plan after completion of three months of services unless the employee make an election to waive participation in the Plan by completing an Election Form at least 30 days before the enrollment date. If the employee do not complete the Election Form within the mentioned period the employee will be automatically enrolled in the Plan with an initial pre-tax contribution equivalent to 2% of its period compensation and the contribution will be invested in a predetermined fund until subsequent election is made by the participant.

**Contributions**

Participants are permitted to contribute up to 10% of their pre-tax annual compensation, as defined in the Plan, and up to an additional 8% on an after-tax basis. Contributions are subject to certain limitations. For the year ended December 31, 2007, pre-tax contributions were limited to a maximum of \$15,500, as defined by the Internal Revenue Service. The Bank is required to make a matching contribution of twenty-five cents for every dollar on the first 4% of the participant's compensation that a participant contributes to the Plan on a pre-tax basis. In addition, the Bank may voluntarily make additional discretionary contributions to the Plan at the end of the year to be distributed among the participants' accounts as established in the Plan. Investment of participants' and employer's contributions are directed by participants into various investment options, which include several mutual funds and the common stock of First BanCorp, the Bank's parent company. The Plan allows for rollover contributions from other qualified plans.

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**FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and of the United States of America**

**Notes to the Financial Statements**

**December 31, 2007 and 2006**

Beginning on January 1, 2007 participants over age 50 are permitted to make an additional \$1,000 pre-tax contribution after contributed to the Plan limit of 10% of their pre-tax annual compensation.

**Participant Accounts**

Each participant's account is credited with the participant's contributions and allocation of (a) the Bank's contributions and (b) Plan earnings. Allocations are based on (a) the participant's contributions in the case of matching contributions, (b) results of operations in the case of discretionary contributions, and (c) account balances in the case of plan earnings. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Vesting**

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the Bank's contribution portion of their account is based on years of continuous service. A participant is 100% vested after five years of credited service.

Vesting schedule for the Bank's matching and additional contribution is as follows:

<b>Years of Service</b>	<b>Vested Percentage</b>
Less than 2	0%
2	20%
3	40%
4	60%
5 or more	100%

**Loans to Participants**

Under the terms of the Plan, participants are allowed to borrow from their accounts up to 50% of their vested account balance or \$50,000, whichever is less. Loan transactions are treated as a transfer to (from) the investment funds from (to) the Participants Loan Fund. Loans are collateralized by the balance in the participants' accounts and bear interest at the rate determined by the Plan administrator at the time the loan is granted. At December 31, 2007 and 2006 the interest rates of these loans range from 6.00% to 10.25% and 4.75% to 10.25%, respectively, and are due at various maturity dates through July 16, 2012. Principal and interest is paid ratably through biweekly payroll deductions.



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**FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and of the United States of America**

**Notes to the Financial Statements**

**December 31, 2007 and 2006**

**Payment of Benefits**

Plan participants are permitted to make withdrawals from the Plan, subject to provisions in the Plan agreement. If a participant suffers financial hardship, as defined in the Plan agreement, the participant may request a withdrawal from his or her contributions. In the case of participant termination because of death, the entire vested amount is paid to the person or persons legally entitled thereto.

Vested plan benefits not exceeding \$1,000 are distributed to participants in a single lump-sum cash payment after employment with the Bank is terminated. If the value of the vested account is more than \$1,000, the participant may elect to defer any benefit payable under the Plan until a specified future date. There were no outstanding benefits payable to participants at December 31, 2007 and 2006

**Plan Expenses and Administration**

Bank and participant contributions were held by Charles Schwab as custodian and managed by Milliman USA, Inc. as plan recordkeeper, both appointed by the Board of Directors of the Bank. The custodian invests cash received, interest and dividend income and makes distributions to participants.

Administrative expenses for the custodian's and recordkeeper's fees are paid by the Bank unless there are forfeitures available to offset such expenses. For the year ended December 31, 2007 the Bank paid \$112,186 in administrative fees on behalf of the Plan.

**Forfeitures**

Forfeited balances of terminated participants' nonvested accounts are used to reduce future Bank contributions or used to cover administrative expenses of the Plan.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Plan's policy is to prepare its financial statements using the accrual basis of accounting and reflect management's estimates and assumptions, such as those regarding fair value, that affect the recorded amounts.

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**FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and of the United States of America**

**Notes to the Financial Statements**

**December 31, 2007 and 2006**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and changes therein at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Contributions**

Employee contributions are recorded in the period in which the Bank makes payroll deductions from the participants' compensation. Matching employer's contributions are recorded in the same period. Discretionary contributions are recorded in the period they are earned by the participant, as determined by the Bank's Board of Directors.

**Investments Valuation and Income Recognition**

The Plan's investments in mutual funds and common stock of First BanCorp are stated at fair value. Shares of registered investment companies are valued at quoted market prices which represent the net asset value of shares held by the Plan at the reporting date. First BanCorp's common stock is valued at its quoted market price. The Plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

Effective January 1, 2007, the Plan elected to early adopt Statement of Financial Accounting Standards (SFAS) 157, Fair Value Measurements. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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**Level 3** Valuations are observed from unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**Participant Loans**

Participant loans are valued at their outstanding balance, which approximates fair value.

**Payment of Benefits**

Benefits are recorded when paid.

**3. Investments**

The following presents the Plan's investments:

	2007		2006	
	Value	# of shares	Value	# of shares
Investcash Money Market Account	\$ 16,678		\$	
First BanCorp. common stock*	244,667	33,562	294,115	30,862
Ameristock Fund*	242,609	5,772	220,381	5,033
Ariel Fund	95,756	2,064	73,521	1,419
Dodge & Cox Balanced Fund*	265,488	3,278	234,405	2,692
GE Premier Growth Equity Class A*	261,530	10,979	228,745	9,095
Harbor Bond Institutional Class Fund*	421,774	35,413	389,195	33,667
Harbor Bond Institutional International Class Fund*	683,967	9,585	501,537	8,084
Royce Pennsylvania Mutual Fund*	232,269	21,467	208,715	18,039
Schwab Value Advantage Money Fund *	1,112,972	1,112,972	929,605	929,605
Vanguard S&P 500 Index*	319,281	2,362	271,764	2,081
Participant loans receivable *	273,843		243,136	
	\$ 4,170,834		\$ 3,595,119	

\* Investment exceeds five percent of assets available for benefits.

During 2007, the Plan's investments (including gains and losses on investments bought and sold) depreciated in value by \$50,022 as follows:

	2007
Mutual funds	\$ 26,776
Common stock - First BanCorp.	(76,798)
	\$ (50,022)



**Table of Contents****FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and of the United States of America****Notes to the Financial Statements****December 31, 2007 and 2006****4. Fair Value**

As discussed in Note 2 Summary of Significant Accounting Policies, effective January 1, 2007, the Plan adopted SFAS 157, which provides a framework for measuring fair value under GAAP.

Assets measured at fair value on a recurring basis are summarized below:

**As of December 31, 2007**  
**Fair Value Measurements Using**  
**Assets**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>at Fair Value</b>
Investments in mutual funds	\$3,635,646	\$	\$	\$3,635,646
Investment in First BanCorp. common stock	244,667			244,667

**5. Party-In Interest Transactions**

Certain Plan investments are shares of a mutual fund managed by The Charles Schwab Trust Company, which is also a provider of custodial services as defined by the Plan since April 1, 2005. In addition, at December 31, 2007 and 2006, the Plan held 33,562 and 30,862 units, with a quoted market value of \$244,667 and \$294,115, respectively, of common stock of First BanCorp., the Parent Company of the Plan Sponsor. At December 31, 2007 cash reserves invested in a money market deposit account in the amount of \$16,678 were deposited with FirstBank Puerto Rico, the Plan Sponsor. For the year ended December 31, 2007, the Plan received dividend and interest income related to the First BanCorp., common stock and money market investments in the amounts of \$9,552 and \$593 respectively. Plan assets include participant loans receivable of \$273,843 and \$243,136 as of December 31, 2007 and 2006, respectively. For the year ended December 31, 2007 interest income related to participant loans receivable amounted to \$23,118. These transactions qualify as party-in-interest transactions permitted under provisions of ERISA.

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**FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and of the United States of America**

**Notes to the Financial Statements**

**December 31, 2007 and 2006**

**6. Tax Status**

The Internal Revenue Service has determined and informed the Bank under letter dated December 22, 2003 that the Plan is designed in accordance with the applicable sections of the U.S. Internal Revenue Code (IRC) and, therefore, exempt from income taxes. Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

**7. Plan Termination**

Although it has not expressed any intent to do so, the Bank has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts and such termination shall not reduce the interest of any participating employee or their beneficiaries accrued under the Plan up to the date of such termination.

**8. Forfeited Amount**

Forfeited nonvested accounts amounted to \$2,910 at December 31, 2007 (\$5,163 at December 31, 2006). These accounts are transferred by the Plan administrator to an unallocated account to be used to cover administrative expenses of the plan or reduce the Bank's future contributions. Forfeited non-vested accounts were used to cover administrative expenses amounting \$2,500 during 2007. No forfeitures were used to reduce the Bank's contributions in 2007.

**9. Risks and Uncertainties**

The Plan's investments are exposed to various risks, such as interest rate, market and credit risks. Market values of investments may decline for a number of reasons, including changes in prevailing market and interest rates, increases in default and credit rating downgrades. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in these factors in the near term would materially affect participant's account balances and the amounts reported in the statement of assets available for benefits and the statement of changes in assets available for benefits.

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**FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and of the United States of America**

**Notes to the Financial Statements**

**December 31, 2007 and 2006**

**10. Additional Contributions**

The Board of Directors of the Bank approved in 2008 and 2007 additional contributions of \$144,715 and \$130,970 based on the Bank's results for the years ended December 31, 2007 and 2006, respectively. At December 31, 2007 and 2006, these additional contributions were recorded as employer contribution receivables and as contributions from employer.

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**FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and of the United States of America**  
**Schedule H, Line 4i Schedule of Assets (Held at End of Year)**  
**December 31, 2007**

(a)	(b) Identity of issue, borrower lessor or similar party	(c) Description of Investment including maturity date, rate of interest, par value	(d) Cost	(e) Current value
	<b>Money Market and Interest Bearing Cash</b>			
*	Investcash Money Market Account	Money Market	**	\$ 16,678
	Total Money Market and Interest Bearing Cash			16,678
	<b>Common Stocks</b>			
*	First BanCorp. Common Stock	Common Stock	33,562 shares	** 244,667
	Total Common Stocks			244,667
	<b>Mutual Funds</b>			
	Ameristock Fund	Mutual Fund	5,772 shares	** 242,609
	Ariel Fund	Mutual Fund	2,064 shares	** 95,756
	Dodge & Cox Balanced Fund	Mutual Fund	3,278 shares	** 265,488
	GE Premier Growth Equity Class A	Mutual Fund	10,979 shares	** 261,530
	Harbor Bond Institutional Class Fund	Mutual Fund	35,413 shares	** 421,774
	Harbor Bond Institutional International Class Fund	Mutual Fund	9,585 shares	** 683,967
	Royce Pennsylvania Mutual Fund	Mutual Fund	21,467 shares	** 232,269
*	Schwab Value Advantage Money Fund	Mutual Fund	1,112,972 shares	** 1,112,972
	Vanguard S&P 500 Index	Mutual Fund	2,362 shares	** 319,281
	Total mutual funds			3,635,646
	<b>Other Investments</b>			
*	Participant loans receivable	Interest rates ranging from 6.00% to 10.25%, maturity dates of 03/25/08 to 07/16/12	**	273,843
	Total Other Investments			273,843
	Total			<b>\$ 4,170,834</b>

\* Party in-interest



\*\* Historical cost  
is not required  
for participant  
directed  
investment.

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**FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin  
Islands and of the United States of America  
Financial Statements and Supplemental Schedule  
December 31, 2007 and 2006**

**Signatures**

The Plan. Pursuant to the requirement of the Securities Exchange Act of 1934, the Board of Trustees (or the persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**FIRST BANCORP.**  
(Name of Plan)

Date: 7/11/2008

By: /s/ Pedro A. Romero  
Authorized Representative

Date: 7/11/2008

By: /s/ Maria Medina  
Authorized Representative