

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

Table of Contents

**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)

**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
Index**

| | PAGE(S) |
|---|----------------|
| <u>Report of Independent Registered Public Accounting Firm</u> | 1 |
| Financial Statements: | |
| <u>Statements of Assets Available for Benefits at December 31, 2007 and 2006</u> | 2 |
| <u>Statement of Changes in Assets Available for Benefits for the year ended December 31, 2007</u> | 3 |
| <u>Notes to the Financial Statements</u> | 4 |
| Supplemental Schedule:¹ | |
| <u>Schedule H, Line 4i Schedule of Assets (Held at End of Year) December 31, 2007</u> | 12 |
| <u>Signatures</u> | 13 |

EX-23.1 CONSENT OF PRICEWATERHOUSECOOPERS LLP

¹ 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.

Table of Contents

**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.

Table of Contents

**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**

| | As of December 31, | |
|---|---------------------------|------------------|
| | 2007 | 2006 |
| Assets | | |
| 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.

2

Table of Contents

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

| | Year ended December 31, 2007 |
|---|---|
| Additions | |
| 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 |
| Deductions | |
| Benefits paid to participants | 214,302 |
| Total deductions | 214,302 |
| Increase in assets available for benefits | 573,327 |
| Assets available for benefits | |
| Beginning of year | 3,758,188 |
| End of year | \$ 4,331,515 |

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

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

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.

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

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:

| Years of Service | Vested Percentage |
|-------------------------|--------------------------|
| 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.

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

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.

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

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.

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**

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

| | Level 1 | Level 2 | Level 3 | at Fair Value |
|---|----------------|----------------|----------------|----------------------|
| 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.

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

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.

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

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.

Table of Contents

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 |
|-----|--|--|------------------|----------------------|
| | Money Market and Interest Bearing Cash | | | |
| * | Investcash Money Market Account | Money Market | ** | \$ 16,678 |
| | Total Money Market and Interest Bearing Cash | | | 16,678 |
| | Common Stocks | | | |
| * | First BanCorp. Common Stock | Common Stock | 33,562 shares | ** 244,667 |
| | Total Common Stocks | | | 244,667 |
| | Mutual Funds | | | |
| | 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 |
| | Other Investments | | | |
| * | 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 | | | \$ 4,170,834 |

* Party in-interest

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

Table of Contents

**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