

FIRST BANCORP /PR/
Form 424B3
February 15, 2013
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Filed Pursuant to Rule 424(b)(3)
Registration File Number 333-185393

Offer to Exchange

Up to 10,087,488 shares of our Common Stock for any and all issued and outstanding shares of our Preferred Stock

(subject to the limitations and qualifications described herein)

First BanCorp. (the Corporation) is offering to issue on the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal up to 10,087,488 newly issued shares of our common stock, par value \$0.10 per share (our Common Stock), in exchange (the Exchange Offer) for the aggregate liquidation preference of each series of Preferred Stock identified in the table below:

CUSIP	Title of Securities	Aggregate liquidation preference outstanding	Liquidation preference per share	Exchange Value (1)
318672201	7.125% Noncumulative Perpetual Monthly Income Preferred Stock, Series A	\$11,254,875	\$25	\$20
318672300	8.35% Noncumulative Perpetual Monthly Income Preferred Stock, Series B	\$11,899,675	\$25	\$20
318672409	7.40% Noncumulative Perpetual Monthly Income Preferred Stock, Series C	\$11,515,275	\$25	\$20
318672508	7.25% Noncumulative Perpetual Monthly Income Preferred Stock, Series D	\$12,764,800	\$25	\$20
318672607	7.00% Noncumulative Perpetual Monthly Income Preferred Stock, Series E	\$15,612,175	\$25	\$20

(1) See (cover page continued) for more information regarding the Exchange Value.

This Exchange Offer by the Corporation will expire at 5:00 p.m., New York City time, on Monday, March 18, 2013 (such date and time, as it may be extended in accordance with applicable law, the Expiration Date). You may withdraw any Preferred Stock that you tendered in the Exchange Offer on or prior to the Expiration Date.

To participate in the Exchange Offer, you must grant a proxy to the individuals appointed by the Corporation as proxies (the proxyholders) to execute a written consent (the Consent) in favor of the Preferred Stock Amendment (defined below). In addition to receiving this prospectus and the accompanying letter of transmittal, you will receive a proxy statement soliciting your proxy with respect to the Preferred Stock Amendment. The Board of Directors will set the record date for determining holders of Preferred Stock entitled to grant their proxy as, March 11, 2013, the date that is five business days before the Expiration Date (the Record Date). If you acquire your shares of Preferred Stock after the Record Date, you may still participate in the Exchange Offer as long as you tender your shares of Preferred Stock prior to the Expiration Date.

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Our Common Stock trades on the New York Stock Exchange (NYSE) under the symbol FBP. As of February 13, 2013, the closing sale price for our Common Stock on the NYSE was \$5.43 per share.

None of the Board of Directors, Sandler O Neill & Partners L.P. (the Dealer Manager), Computershare (the Exchange Agent), Georgeson Inc. (the Information Agent) or any other person is making any recommendation as to whether you should tender your shares of Preferred Stock. You must make your own decision after reading this prospectus and the documents incorporated by reference herein and consulting with your advisors.

Before making a decision regarding the Exchange Offer, you are encouraged to read the Risk Factors section beginning on page 27 of this prospectus. If the Exchange Offer is completed, the Preferred Stock Amendment will remove the provision from the certificates of designation that entitles holders of Preferred Stock to appoint two additional directors when, as is the case now, we have not paid dividends for 18 monthly periods. If the Preferred Stock Amendment is approved, the effective date of the amendment will be no earlier than 20 business days after the Record Date.

Shares of our Common Stock are not savings accounts, deposits or other obligations of any of our bank or non-bank subsidiaries and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

None of the U.S. Securities and Exchange Commission, or any state or the Commonwealth of Puerto Rico securities commission, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System or any other regulatory body has approved or disapproved of the Exchange Offer or of the securities to be issued in the Exchange Offer or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Dealer Manager for the Exchange Offer is:

The date of this prospectus is February 14, 2013.

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For each share of Preferred Stock that we accept for exchange in accordance with the terms of the Exchange Offer, we will issue a number of shares of our Common Stock having the aggregate dollar value (based on the Relevant Price, as defined below) equal to the applicable exchange value noted in the table on the front cover page of this prospectus (the Exchange Value), except if the requisite number of shares would include a fractional share or the Relevant Price is equal to \$5.00 per share of Common Stock, the Minimum Share Price. We will not issue fractional shares of our Common Stock in the Exchange Offer and no cash will be paid for fractional shares. Instead, the number of shares of Common Stock received by each holder whose shares of Preferred Stock are accepted for exchange in the Exchange Offer will be rounded down to the nearest whole number.

We refer to the number of shares of our Common Stock that we will issue for each share of Preferred Stock we accept in the Exchange Offer as the exchange ratio. The Relevant Price will be fixed as soon as practicable after 4:00 p.m., New York City time, on the second business day immediately preceding the Expiration Date and will be equal to the greater of (1) the average Volume Weighted Average Price, or VWAP, of a share of our Common Stock, determined as described in this prospectus under the heading Questions and Answers about the Exchange Offer How will the Average VWAP be determined? during the five trading-day period ending on the second business day immediately preceding the Expiration Date and (2) the Minimum Share Price. If the Minimum Share Price is used to determine the exchange ratio, 4 shares of Common Stock will be issued in exchange for each share of Preferred Stock that we accept for tender in the Exchange Offer. **Depending on the trading price of our Common Stock compared to the Relevant Price, which will be the greater of the average VWAP and the Minimum Share Price, the market value of the Common Stock on the date that it is issued in exchange for each share of Preferred Stock that the Corporation accepts for exchange, that is, the settlement date (the Settlement Date), may be less than or equal to or greater than the applicable Exchange Value.** If the fair market value of our Common Stock is below the Relevant Price on the date we issue Common Stock in the Exchange Offer, the market value of the Common Stock issued will be less than the applicable Exchange Value.

Our obligation to issue shares of Common Stock in exchange for shares of Preferred Stock in the Exchange Offer is subject to a number of conditions that must be satisfied or waived, including, among others, that (i) holders of at least two-thirds of the aggregate liquidation preference of the outstanding shares of each series of Preferred Stock and holders of at least a majority of our outstanding shares of Common Stock give their Consent in favor of the Preferred Stock Amendment, (ii) the U.S. Securities and Exchange Commission (the SEC) declares effective the registration statement of which this prospectus is a part, and (iii) there is no change or development (affecting our business or otherwise) that in our reasonable judgment may materially reduce the anticipated benefits to us of the Exchange Offer or that has had, or could reasonably be expected to have, a material adverse effect on us or our businesses, financial condition, operations or prospects. Our obligation to exchange is not subject to any minimum tender condition.

The offer described in this prospectus has not yet commenced. Please do not tender your shares of Preferred Stock for exchange at this time. We will notify you upon commencement of the Exchange Offer, issue a press release, and provide you with a letter of transmittal at that time.

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We have not authorized anyone to provide any information or to make any representation other than those contained in or incorporated by reference into this prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. You should assume that the information contained in or incorporated by reference into this prospectus is accurate only as of the date of this prospectus or as of the date of the documents incorporated by reference, as applicable. We are not making an offer of these securities in any jurisdiction where such offer is not permitted.

Neither we, nor any of our officers, directors, agents or representatives, makes any representation to you about the legality of an investment in our securities. You should not interpret the contents of this prospectus and the documents incorporated by reference herein to be legal, business, investment or tax advice. You should consult with your own advisors for that type of advice and consult with them about the legal, tax, business, financial and other issues that you consider before investing in our securities.

Rather than repeat certain information in this prospectus that we have already included in reports filed with the U.S. Securities and Exchange Commission (SEC), this prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. You may request this information, at no cost, by writing to us at the following address: First BanCorp., Attention: Lawrence Odell, Secretary, P.O. Box 9146, San Juan, Puerto Rico, 00908-0146. Telephone requests may be directed to (787) 729-8041. E-mail requests may be directed to lawrence.odell@firstbankpr.com or otherwise as instructed in Where You Can Find More Information and Incorporation of Certain Documents by Reference. To ensure timely delivery of such documents, security holders must request this information no later than five business days before the date by which they must make their investment decision. Accordingly, any request for documents should be made by March 11, 2013 to ensure timely delivery of the documents on or prior to the Expiration Date.

In this prospectus, unless otherwise stated or the context otherwise requires, Corporation, we, us, our and First BanCorp refer to First BanCorp and its subsidiaries.

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IMPORTANT INFORMATION ABOUT TENDERING YOUR PREFERRED STOCK

To participate in the Exchange Offer, you must tender your shares of Preferred Stock for exchange, and grant a proxy to the proxyholders to execute a written Consent in favor of an amendment to delete the text of paragraph 2 of Section F., Voting Rights, of the certificate of designation for each series of Preferred Stock that you own (the Preferred Stock Amendment). Paragraph 2 of Section F. permits holders of our Preferred Stock to appoint two additional members to our Board of Directors when the Corporation has not paid dividends in full on the Preferred Stock for 18 monthly dividend periods (whether consecutive or not). If you acquire your shares of Preferred Stock after the Record Date, you may still participate in the Exchange Offer as long as you tender your shares of Preferred Stock prior to the Expiration Date.

If you are a beneficial owner of shares of Preferred Stock held by a broker, securities dealer, custodian, commercial bank, trust company or other nominee and wish to participate in the Exchange Offer, you should follow the instructions that you receive from your broker, securities dealer, custodian, commercial bank, trust company or other nominee on how to participate in the Exchange Offer and grant a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment. **You should instruct your broker, securities dealer, custodian, commercial bank, trust company or other nominee promptly in order to allow adequate processing time for your instruction.**

If you are a Depository Trust Company (DTC) participant, you must electronically transmit your acceptance of the Exchange Offer by causing DTC to transfer your shares of Preferred Stock to the Exchange Agent in accordance with DTC s Automated Tender Offer Program (ATOP) procedures for such a transfer. DTC will then send an Agent s Message to the Exchange Agent. The term Agent s Message means a message transmitted by DTC, received by the Corporation and forming part of the confirmation of the book-entry transfer electronically through DTC s ATOP system, to the effect that: (i) DTC has received an express acknowledgment from a participant in ATOP that it is tendering its shares of Preferred Stock and, if such participant was a holder of shares of Preferred Stock as of the Record Date, it is providing a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment; (ii) such participant has received and agrees to be bound by the letter of transmittal accompanying this prospectus to the same extent as if it tendered shares of Preferred Stock pursuant to a manually executed letter of transmittal, including the form of proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment; and (iii) the agreement may be enforced against such participant.

If you are a stockholder of record, you must do each of the following in order to validly tender your shares of Preferred Stock for exchange: (i) complete and manually sign the letter of transmittal accompanying this prospectus, including the Form for Tendering Holders granting a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment, or a facsimile of the letter of transmittal, including the Form for Tendering Holders, and deliver same to the Exchange Agent; (ii) have the signature on the letter of transmittal, or a facsimile of the letter of transmittal, including the Form for Tendering Holders guaranteed, if required, and deliver same to the Exchange Agent; (iii) deliver the certificates for your shares of Preferred Stock to the Exchange Agent; (iv) if required, furnish appropriate endorsements and transfer documents; and (v) pay all transfer or similar taxes imposed for any reason other than the exchange of shares of Preferred Stock pursuant to the Exchange Offer.

We are not providing for guaranteed delivery procedures. You must allow sufficient time for the necessary tender procedures to be completed during normal business hours of DTC on or prior to the Expiration Date.

If you are a beneficial owner of shares of Preferred Stock, you may withdraw your shares of Preferred Stock tendered in the Exchange Offer by following the procedures established by your broker, securities dealer, custodian, commercial bank, trust company or other nominee to withdraw your shares on or prior to the Expiration Date and such withdrawal will revoke your proxy. In such a case, if you want to grant a proxy, you must follow the instructions of your nominee to grant a proxy to the proxyholders with respect to the Preferred Stock Amendment. If you are a stockholder of record, you may withdraw your shares of Preferred Stock tendered

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in the Exchange Offer by informing the Exchange Agent on or prior to the Expiration Date that you are withdrawing your shares and such withdrawal will revoke your proxy. In such a case, if you want to grant a proxy, you must execute a Form for Non-tendering Holders, which is attached to the letter of transmittal, to grant a proxy to the proxyholders with respect to the Preferred Stock Amendment.

If you are a beneficial owner of shares of Preferred Stock and do not wish to exchange your shares of Preferred Stock, to grant a proxy with respect to the Preferred Stock Amendment, you must contact your broker, securities dealer, custodian, commercial bank, trust company or other nominee and follow its instructions regarding how to grant a proxy to the proxyholders with respect to the Preferred Stock Amendment. If you are a stockholder of record of shares of Preferred Stock and do not wish to exchange your shares of Preferred Stock, to grant a proxy with respect to the Preferred Stock Amendment, you must complete the Form for Non-tendering Holders and deliver it to the Exchange Agent.

Holders of Preferred Stock that is not tendered in the Exchange Offer will receive a fee of \$0.25 per share of Preferred Stock for their proxies in favor of the Preferred Stock Amendment (the Consent Fee) if the Preferred Stock Amendment is approved. However, if such holders sell the shares for which their proxies were granted prior to the Record Date, such holders will not be entitled to receive the fee and their proxies will be disregarded with respect to such shares. To participate in the Exchange Offer, tendering holders of Preferred Stock must grant a proxy permitting the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment except if a tendering holder is not a holder of shares of Preferred Stock as of the Record Date. No Consent Fee will be paid with respect to tendered Preferred Stock.

We will make payments to brokers, securities dealers, custodians, commercial banks, trust companies and other nominees that solicit tenders or proxies from holders of Preferred Stock (each a soliciting dealer) a fee in an amount equal to \$0.125 for each share of Preferred Stock owned by a holder of fewer than 10,000 shares of Preferred Stock if such soliciting dealer s soliciting activities result in (i) the tender of shares by such holder and the Corporation s acceptance of such shares of Preferred Stock in the Exchange Offer or (ii) such holder s grant of a proxy in favor of the Preferred Stock Amendment.

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FORWARD-LOOKING STATEMENTS

Certain statements made or incorporated by reference in this prospectus are forward-looking statements. All statements contained herein or incorporated by reference in this prospectus that are not clearly historical in nature are forward-looking, and the words "would be," "will allow," "intends to," "will likely result," "are expected to," "should," "anticipate," or similar expressions are generally intended to identify forward-looking statements.

These forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties, estimates and assumptions by us that are difficult to predict. Various factors, some of which are beyond our control, could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. Factors that might cause such a difference include, but are not limited to, the risks described below in the "Risk Factors" section, and the following:

uncertainty about whether the Corporation and our subsidiary, FirstBank Puerto Rico ("FirstBank" or "the Bank"), will be able to fully comply with the written agreement dated June 3, 2010 (the "FED Agreement") that the Corporation entered into with the Federal Reserve Bank of New York (the "FED" or "Federal Reserve") and the consent order dated June 2, 2010 (the "FDIC Order"), and together with the FED Agreement, the "Regulatory Agreements") that the Corporation's banking subsidiary, FirstBank, entered into with the Federal Deposit Insurance Corporation ("FDIC") and the Office of the Commissioner of Financial Institutions of the Commonwealth of Puerto Rico ("OCIF") that, among other things, require the Bank to maintain certain capital levels and reduce its special mention, classified, delinquent and non-performing assets;

the risk of being subject to possible additional regulatory actions;

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

the Corporation's reliance on brokered CDs and its ability to obtain, on a periodic basis, approval from the FDIC to issue brokered CDs to fund operations and provide liquidity in accordance with the terms of the FDIC Order;

the risk of not being able to fulfill the Corporation's cash obligations or resume paying dividends to the Corporation's stockholders in the future due to the Corporation's inability to receive approval from the FED to receive dividends from FirstBank or FirstBank's failure to generate sufficient cash flow to make a dividend payment to the Corporation;

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

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adverse changes in general economic conditions in the United States, the United States Virgin Islands, and British Virgin Islands, and in Puerto Rico, including the interest rate environment, market liquidity, housing absorption rates, real estate prices and disruptions in the U.S. capital markets, which may reduce interest margins, impact funding sources and affect demand for all of the Corporation's products and services and reduce the Corporation's revenues, earnings and the value of the Corporation's assets;

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

a decrease in demand for the Corporation's products and services and lower revenues and earnings because of the continued recession in Puerto Rico, the current fiscal problems and budget deficit of the Puerto Rico government and recent credit downgrades of the Puerto Rico government;

uncertainty about regulatory and legislative changes for financial services companies in Puerto Rico, the United States, and the United States Virgin Islands, and British Virgin Islands, which could affect the Corporation's financial condition or performance and could cause the Corporation's actual results for future periods to differ materially from prior results and anticipated or projected results;

uncertainty regarding the timing and final substance of any capital or liquidity standards, including the final Basel III (as defined herein) requirements and their implementation in the United States through rulemaking by the Board of Governors of the Federal Reserve System (the Federal Reserve Board) including anticipated requirements to hold higher levels of regulatory capital and liquidity and meet higher regulatory capital ratios as a result of final Basel III or other capital or liquidity standards;

uncertainty about the effectiveness of the various actions undertaken to stimulate the U.S. economy and stabilize the U.S. financial markets, and the impact such actions may have on the Corporation's business, financial condition and results of operations;

changes in the fiscal and monetary policies and regulations of the federal government, including those determined by the FED, the FDIC, government-sponsored housing agencies and regulators in Puerto Rico, the United States Virgin Islands and British Virgin Islands;

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

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

the risk of not being able to recover the assets pledged to Lehman Brothers Special Financing, Inc.;

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

a need to recognize additional impairments on financial instruments, goodwill or other intangible assets relating to acquisitions;

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

the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) on the Corporation's businesses, business practices and cost of operations; and

general competitive factors and industry consolidation.

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

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You should read this prospectus and the documents that we incorporate by reference into this prospectus and have filed as exhibits to the registration statement of which this prospectus is a part completely for a discussion of various factors and certain risks and uncertainties to which we are subject. The information contained or incorporated by reference into this prospectus is accurate only as of the date of this prospectus or as of the date of the documents incorporated by reference, as applicable, regardless of the time of delivery of this prospectus.

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ABOUT THIS PROSPECTUS

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

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WHERE YOU CAN FIND MORE INFORMATION

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

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

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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

We hereby incorporate by reference into this prospectus the following documents that we have filed with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act), File No. 001-14793:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed with the SEC on March 13, 2012 (including our Definitive Proxy Statement on Schedule 14A filed with the SEC on April 30, 2012, to the extent incorporated into our Annual Report);

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012, June 30, 2012, and September 30, 2012 filed with the SEC on May 11, 2012, August 9, 2012, as amended on September 6, 2012, and November 9, 2012, respectively;

Our Current Reports on Form 8-K filed with the SEC on February 24, 2012, March 16, 2012, March 27, 2012, May 11, 2012 (pursuant to Item 8.01 only), May 29, 2012, and November 2, 2012; and

The description of our capital stock as set forth in our Registration Statement on Form 8-A/A filed with the SEC on May 4, 2012. All documents subsequently filed by the registrant pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, prior to the date on which the Exchange Offer is consummated, shall be deemed to be incorporated by reference into the prospectus.

You may request a copy of these filings, other than an exhibit to a filing (unless that exhibit is specifically incorporated by reference into that filing), at no cost, by writing to us at the following address: First BanCorp., Attention: Lawrence Odell, Secretary, P.O. Box 9146, San Juan, Puerto Rico, 00908-0146. Telephone requests may be directed to (787) 729-8041. E-mail requests may be directed to lawrence.odell@firstbankpr.com. You may also access this information on our website at www.firstbankpr.com by viewing the SEC Filings subsection of the Investor Relations menu. No additional information on our website is deemed to be part of or

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incorporated by reference into this prospectus. We have included our website address in this prospectus solely as an inactive textual reference. You may also request a copy of this information by writing to the Information Agent at the following address: Georgeson Inc., 199 Water Street, 26th Floor, New York, NY 10038. Telephone requests by all holders, banks and brokers may be directed to 866-856-6388.

To ensure timely delivery of such documents, security holders must request this information no later than five business days before the date by which they must make their investment decision. Accordingly, any request for documents should be made by March 11, 2013 to ensure timely delivery of the documents on or prior to the Expiration Date.

Please note that this Registration Statement and the Schedule TO filed in connection with the Exchange Offer do not permit incorporation by reference of future filings. If a material change occurs in the information set forth in this prospectus, we will amend this Registration Statement and the Schedule TO accordingly.

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QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

These questions and answers may not contain all of the information about the Exchange Offer that is important to you. Before making a decision regarding the Exchange Offer, you should carefully consider the information contained in or incorporated by reference into this prospectus, including the information set forth under the heading "Risk Factors" beginning on page 27 of this prospectus.

WHAT IS THE PURPOSE OF THE EXCHANGE OFFER?

We are conducting this Exchange Offer to further improve the quality of our capital for regulatory purposes and to simplify our capital structure. In addition, approval of the Preferred Stock Amendment will result in the removal of the provision in the certificate of designation for each series of Preferred Stock that entitles the holders of Preferred Stock to appoint two additional members to our Board of Directors when the Corporation has not paid dividends in full on the Preferred Stock for 18 monthly dividend periods (whether consecutive or not), which removal will enhance the Corporation's ability to comply with contractual requirements related to the composition of the Board of Directors and eliminate the potential for increased disparity between the economic interest and Board representation of holders of Preferred Stock.

IS THERE A CONDITION TO PARTICIPATION IN THE EXCHANGE OFFER?

Yes. We are conditioning your exchange of Preferred Stock on your granting a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment. If you acquire your shares of Preferred Stock after the Record Date, you may still participate in the Exchange Offer as long as you tender your shares of Preferred Stock prior to the Expiration Date. The affirmative written consent of holders of at least two-thirds of the aggregate liquidation preference of the outstanding shares of each series of Preferred Stock is required to approve the Preferred Stock Amendment to the certificate of designation for such series of Preferred Stock. In addition, the affirmative written consent of holders of at least a majority of our outstanding shares of Common Stock is required to approve the Preferred Stock Amendment to the certificate of designation for each series of Preferred Stock. None of the certificates of designation will be amended unless the requisite approval from holders of each series of Preferred Stock is obtained.

The Board of Directors recommends that you grant a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment.

Holders of Preferred Stock that is not tendered in the Exchange Offer will receive a fee of \$0.25 per share of Preferred Stock for their proxies in favor of the Preferred Stock Amendment if the Preferred Stock Amendment is approved. To participate in the Exchange Offer, tendering holders of Preferred Stock must grant a proxy permitting the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment except if a tendering holder is not a holder of shares of Preferred Stock as of the Record Date. No Consent Fee will be paid with respect to tendered Preferred Stock.

The Board of Directors will set the Record Date for determining holders of Preferred Stock entitled to grant their proxy as March 11, 2013, the date that is five business days before the Expiration Date.

If the Preferred Stock Amendment is approved, the effective date of the amendment will be no earlier than 20 business days after the Record Date.

WHAT MATERIALS SHOULD I RECEIVE?

You should receive this prospectus, a proxy statement relating to the Preferred Stock Amendment, and the letter of transmittal, which contains the Form for Tendering Holders and the Form for Non-tendering Holders. You may receive more than one set of materials, for example, if you hold your shares in more than one brokerage account, if you hold shares in more than one name, or if your stock is registered in more than one way. If you receive more than one set of materials, please complete, sign, date and return each letter of transmittal, including the Form for Tendering Holders, or the Form for Non-tendering Holders, that you receive so that all of your shares are represented with respect to the Preferred Stock Amendment.

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HOW MANY SHARES OF COMMON STOCK WILL I RECEIVE PER SHARE OF PREFERRED STOCK TENDERED?

For each share of Preferred Stock that we accept for exchange in accordance with the terms of the Exchange Offer, we will issue a number of shares of our Common Stock having the aggregate dollar value (based on the Relevant Price) equal to the applicable Exchange Value, except if the requisite number of shares would include a fractional share or the Relevant Price is equal to the Minimum Share Price. **Depending on the trading price of our Common Stock compared to the Relevant Price, which will be the greater of the average VWAP and the Minimum Share Price, the market value of the Common Stock on the date that it is issued in exchange for each share of Preferred Stock that the Corporation accepts for exchange, that is, the Settlement Date, may be less than or equal to or greater than the applicable Exchange Value.** If the fair market value of our Common Stock is below the Relevant Price on the date we issue Common Stock in the Exchange Offer, the market value of the Common Stock issued will be less than the applicable Exchange Value.

If the Minimum Share Price is used to determine the exchange ratio, 4 shares of Common Stock will be issued in exchange for each share of Preferred Stock that we accept for tender in the Exchange Offer.

WILL FRACTIONAL SHARES BE ISSUED IN THE EXCHANGE OFFER?

We will not issue fractional shares of our Common Stock in the Exchange Offer and no cash will be paid for fractional shares. Instead, the number of shares of Common Stock received by each holder whose shares of Preferred Stock are accepted for exchange in the Exchange Offer will be rounded down to the nearest whole number.

HOW WILL THE AVERAGE VWAP BE DETERMINED?

Average VWAP during a period means the arithmetic average of VWAP for each trading day during that period. VWAP for any day means the per share volume weighted average price of our Common Stock on that day as displayed under the heading Bloomberg VWAP on Bloomberg Page FBP US <equity> VAP (or its equivalent successor page if such page is not available) in respect of the period from the scheduled open of trading on the relevant trading day until the scheduled close of trading on the relevant trading day (or if such VWAP is unavailable, the market price of one share of our Common Stock on such trading day determined, using a volume weighted average method, by a nationally recognized investment banking firm we retain for that purpose).

HOW MAY I OBTAIN INFORMATION REGARDING THE RELEVANT PRICE AND APPLICABLE EXCHANGE RATIOS?

Throughout the Exchange Offer, the indicative average VWAP, the Minimum Share Price, the resultant indicative Relevant Price, and the indicative exchange ratios will be available at www.firstbankpr.com, by clicking on Exchange Offer in the Investor Relations section at this address, and from the Information Agent at the number listed on the back cover page of this prospectus. The contact information for the Information Agent is set forth on the back cover page of this prospectus.

We will determine the final exchange ratio for each series of Preferred Stock as soon as practicable after 4:00 p.m., New York City time, on the second business day immediately preceding the Expiration Date, which we will announce by press release no later than 9:00 a.m., New York City time, on the next succeeding business day. Those final exchange ratios will also be made available at www.firstbankpr.com, by clicking on Exchange Offer in the Investor Relations section, and from the Information Agent. No additional information on our website is deemed to be part of or incorporated by reference into this prospectus.

WILL ALL SHARES OF PREFERRED STOCK THAT I TENDER BE ACCEPTED IN THE EXCHANGE OFFER?

No; we will only accept shares of Preferred Stock validly tendered in the Exchange Offer on or prior to the Expiration Date.

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WHAT HAPPENS TO TENDERED SHARES OF PREFERRED STOCK THAT ARE NOT ACCEPTED FOR EXCHANGE?

If your tendered shares of Preferred Stock are not accepted for exchange, such shares will be returned without expense to you or, in the case of shares of Preferred Stock tendered by book-entry transfer, such shares will be credited to an account maintained at DTC designated by the participant who delivered such shares, in each case, promptly following the expiration, withdrawal or termination, as applicable, of the Exchange Offer. Shares of Preferred Stock may not be accepted for exchange if the tender is not in proper form, holders of at least two-thirds of the aggregate liquidation preference of the outstanding shares of each series of Preferred Stock and/or holders of at least a majority of our outstanding shares of Common Stock do not consent to the Preferred Stock Amendment, our acceptance of the tender would be unlawful in our opinion, or for any other reason pursuant to the terms and conditions of the Exchange Offer. Any holders of tendered shares of Preferred Stock that are not accepted for payment will be deemed to have not granted a proxy with respect to the Preferred Stock Amendment.

WHAT ARE THE CONDITIONS APPLICABLE TO COMPLETION OF THE EXCHANGE OFFER?

Our obligation to issue shares of Common Stock in the Exchange Offer is subject to conditions that must be satisfied or waived, including, among others, that (i) holders of at least two-thirds of the aggregate liquidation preference of the outstanding shares of each series of Preferred Stock and holders of at least a majority of our outstanding shares of Common Stock give a Consent in favor of the Preferred Stock Amendment, (ii) the SEC declares effective the registration statement of which this prospectus is a part, and (iii) there is no change or development (affecting our business or otherwise) that in our reasonable judgment may materially reduce the anticipated benefits to us of the Exchange Offer or that has had, or could reasonably be expected to have, a material adverse effect on us or our businesses, financial condition, operations or prospects. Our obligation to exchange is not subject to any minimum tender condition.

Except for the registration statement of which this prospectus is a part, the proxy statement for holders of Preferred Stock, the proxy statement for holders of Common Stock, and the Tender Offer Statement on Schedule TO filed in connection with the Exchange Offer, we are not aware of any filing, approval or other action by or with any governmental authority or regulatory agency that would be required for us to complete the Exchange Offer that has not been made or obtained.

HOW DO I PARTICIPATE IN THE EXCHANGE OFFER?

To participate in the Exchange Offer, in addition to tendering your shares of Preferred Stock for exchange, you must grant a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment.

If you are a beneficial owner of shares of Preferred Stock held by a broker, securities dealer, custodian, commercial bank, trust company or other nominee and wish to participate in the Exchange Offer, you should follow the instructions that you receive from your broker, securities dealer, custodian, commercial bank, trust company or other nominee on how to participate in the Exchange Offer and grant a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment. **You should instruct your broker, securities dealer, custodian, commercial bank, trust company or other nominee promptly in order to allow adequate processing time for your instruction.**

If you are a DTC participant, you must electronically transmit your acceptance of the Exchange Offer by causing DTC to transfer your shares of Preferred Stock to the Exchange Agent in accordance with DTC's ATOP procedures for such a transfer. DTC will then send an Agent's Message to the Exchange Agent. The term "Agent's Message" means a message transmitted by DTC, received by the Corporation and forming part of the confirmation of the book-entry transfer electronically through DTC's ATOP system, to the effect that: (i) DTC has received an express acknowledgment from a participant in ATOP that it is tendering its shares of Preferred Stock and, if such participant was a holder of shares of Preferred Stock as of the Record Date, it is providing a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment;

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(ii) such participant has received and agrees to be bound by the letter of transmittal accompanying this prospectus to the same extent as if it tendered shares of Preferred Stock pursuant to a manually executed letter of transmittal, including the Form for Tendering Holders; and (iii) the agreement may be enforced against such participant.

If you are a stockholder of record, you must do each of the following in order to validly tender your shares of Preferred Stock for exchange: (i) complete and manually sign the letter of transmittal accompanying this prospectus, including the Form for Tendering Holders granting a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment, or a facsimile of the letter of transmittal, including the Form for Tendering Holders, and deliver same to the Exchange Agent; (ii) have the signature on the letter of transmittal, or a facsimile of the letter of transmittal, including the Form for Tendering Holders, guaranteed, if required, and deliver same to the Exchange Agent; (iii) deliver the certificates for your shares of Preferred Stock to the Exchange Agent; (iv) if required, furnish appropriate endorsements and transfer documents; and (v) pay all transfer or similar taxes imposed for any reason other than the exchange of shares of Preferred Stock pursuant to the Exchange Offer.

If you acquire your shares of Preferred Stock after the Record Date, you may still participate in the Exchange Offer as long as you tender your shares of Preferred Stock prior to the Expiration Date.

WHEN DOES THE EXCHANGE OFFER EXPIRE AND WHEN WILL EXCHANGES BE SETTLED?

The Exchange Offer will expire at 5:00 p.m., New York City time, on March 18, 2013, unless extended in accordance with applicable law or earlier terminated by us. The Settlement Date with respect to the Exchange Offer will be a date promptly following the Expiration Date, which is expected to be within three trading days. Once all the conditions to the Exchange Offer are satisfied or waived, we will accept, promptly after the Expiration Date, all Preferred Stock properly tendered and will issue the Common Stock promptly after the expiration of the Exchange Offer.

IF I CHANGE MY MIND, CAN I WITHDRAW MY TENDER OF PREFERRED STOCK?

Yes. If you are a beneficial owner of shares of Preferred Stock, you may withdraw your shares of Preferred Stock tendered in the Exchange Offer by following the procedures established by your broker, securities dealer, custodian, commercial bank, trust company or other nominee to withdraw your shares on or prior to the Expiration Date and such withdrawal will revoke your proxy. In such a case, if you want to grant a proxy, you must follow the instructions of your nominee to grant a proxy to the proxyholders with respect to the Preferred Stock Amendment. If you are a stockholder of record, you may withdraw your shares of Preferred Stock tendered in the Exchange Offer by informing the Exchange Agent on or prior to the Expiration Date that you are withdrawing your shares and such withdrawal will revoke your proxy. In such a case, if you want to grant a proxy, you must execute a Form for Non-tendering Holders to grant a proxy to the proxyholders with respect to the Preferred Stock Amendment.

DO I HAVE A CHOICE IN WHETHER TO TENDER MY PREFERRED STOCK?

Yes. Holders of Preferred Stock are not required to tender their Preferred Stock pursuant to this prospectus. All rights and obligations pursuant to which each series of Preferred Stock was issued will continue with respect to the Preferred Stock that remains outstanding after the Expiration Date, except to the extent that the Preferred Stock Amendment is approved by the holders of Preferred and Common Stock.

MAY I TENDER ONLY A PORTION OF THE PREFERRED STOCK THAT I HOLD?

Yes. You may tender in the Exchange Offer all or any portion of the Preferred Stock that you hold.

WHAT ARE THE CONSEQUENCES OF NOT EXCHANGING MY PREFERRED STOCK?

The reduction in the number of shares of Preferred Stock after completion of the Exchange Offer may further impact the liquidity of our Preferred Stock. In addition, if the Exchange Offer is completed, the Preferred Stock Amendment will remove the provision that entitles holders of Preferred Stock to appoint two additional directors when, as is the case now, we have not paid dividends for 18 monthly periods.

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WILL THE CORPORATION PAY DIVIDENDS ON PREFERRED STOCK THAT REMAINS OUTSTANDING AFTER THE COMPLETION OF THE EXCHANGE OFFER?

We are not required to pay dividends on Preferred Stock and such dividends cannot be paid unless they are declared by our Board of Directors out of funds legally available for payment. Further, we cannot pay dividends on Preferred Stock until all applicable regulatory requirements and approvals have been met or obtained. We have not paid dividends on shares of Preferred Stock and Common Stock since August 2009.

IS THE BOARD OF DIRECTORS MAKING A RECOMMENDATION REGARDING WHETHER I SHOULD TENDER IN THE EXCHANGE OFFER?

The Board of Directors is not making any recommendation regarding whether you should tender your Preferred Stock in the Exchange Offer. Accordingly, you must make a decision as to whether to tender any or all of your Preferred Stock in the Exchange Offer. Before making your decision, we urge you to carefully read this prospectus in its entirety, including the information set forth in the Risk Factors section of this prospectus and all documents incorporated by reference herein.

IS THE BOARD OF DIRECTORS MAKING A RECOMMENDATION REGARDING WHETHER I SHOULD VOTE IN FAVOR OF THE PREFERRED STOCK AMENDMENT?

The Board of Directors has approved and declared advisable the Preferred Stock Amendment and recommends that you vote in favor of the Preferred Stock Amendment.

WILL THE COMMON STOCK TO BE ISSUED IN THE EXCHANGE OFFER BE LISTED FOR TRADING?

We will file an application with the NYSE to list the shares of our Common Stock to be issued in the Exchange Offer. For more information regarding the market for our Common Stock, see Market Price, Dividend and Distribution Information.

WILL I HAVE TO PAY ANY FEES IF I TENDER MY PREFERRED STOCK?

Tendering holders are not obligated to pay brokerage fees or processing fees to us or to the Dealer Manager, the Exchange Agent or the Information Agent. If your shares of Preferred Stock are held by a broker, securities dealer, custodian, commercial bank, trust company or other nominee who tenders the Preferred Stock on your behalf, your nominee may charge you a processing fee for doing so. You should consult with your nominee to determine whether any charges will apply.

We will make payments to brokers, securities dealers, custodians, commercial banks, trust companies and other nominees that solicit tenders or proxies from holders of Preferred Stock (each a soliciting dealer) a fee in an amount equal to \$0.125 for each share of Preferred Stock owned by a holder of fewer than 10,000 shares of Preferred Stock if such soliciting dealer's soliciting activities result in (i) the tender of the share by such holder and the Corporation's acceptance of such share of Preferred Stock in the Exchange Offer or (ii) such holder's grant of a proxy in favor of the Preferred Stock Amendment.

WILL THE CORPORATION RECEIVE ANY CASH PROCEEDS FROM THE EXCHANGE OFFER?

No. The Corporation will not receive any cash proceeds from the Exchange Offer.

WILL THE EXCHANGE OFFER TRIGGER ANY ANTI-DILUTION RIGHTS?

If the Corporation issues more than 8 million shares of Common Stock in the Exchange Offer, Thomas H. Lee Partners, L.P. (THL), which owns 24.58% of our Common Stock, Oaktree Capital Management, L.P.

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(Oaktree), which owns 24.58% of our Common Stock, and funds advised by Wellington Management Company, LLP (Wellington), which own 9.86% of our Common Stock, will have the right to acquire the amount of shares of Common Stock (at the same price offered in the Exchange Offer) that will enable them to maintain their percentage ownership interest in the Corporation. The ownership of THL, Oaktree, and funds advised by Wellington is based on their most recent regulatory filings.

WILL THE EXCHANGE OFFER IMPACT OUR CAPITAL RATIOS OR BOOK VALUE PER SHARE?

The Exchange Offer will not affect our Total capital, Tier 1 capital or leverage ratio. However, completion of the Exchange Offer will improve our tangible common equity ratio and our Tier 1 common equity to risk-weighted assets ratio, which are non-GAAP financial measures used by financial analysts, investors and others to evaluate capital adequacy. The federal banking agencies proposed rules on June 12, 2012 to require, among other things, compliance with a new common equity Tier 1 ratio and a common equity Tier I capital conservation buffer. See Risk Factors Financial services legislation and regulatory reforms may have a significant impact on our business and results of operations and on our credit ratings. While we would be in compliance with such new requirements if they were adopted now, completion of the Exchange Offer would facilitate future compliance with such new capital requirements. The issuance of Common Stock in exchange for Preferred Stock will decrease the book value per share of Common Stock because it will increase the number of outstanding shares by up to 10,087,488 shares of Common Stock.

WHAT ARE THE TAX CONSEQUENCES OF MY PARTICIPATING IN THE EXCHANGE OFFER?

Subject to the discussion of Consent Fees included under the headings Material U.S. Federal Income Tax Considerations and Certain Puerto Rico Tax Considerations, we anticipate that no gain or loss will be recognized upon completion of the Exchange Offer by any tendering Holders (as defined below) subject to U.S. federal or Puerto Rico income tax. Even though the Non-tendering holders receive taxable Consent Fees in exchange for giving a proxy for the Preferred Stock Amendment, we believe that it is unlikely that tendering Holders (a) will be treated as receiving a separate consideration in exchange for the proxy and, therefore, (b) will be required to recognize any ordinary income as a result of the exchange.

The U.S. federal income tax consequences to Non-tendering U.S. Holders that accept Consent Fees in exchange for a proxy in favor of the Preferred Stock Amendment are subject to uncertainty. While not free from doubt, the Corporation intends to take the position that the Consent Fees are paid in connection with the performance of services and are taxable as ordinary income to U.S. Holders. For Non-tendering Puerto Rico Holders or Puerto Rico corporations, the Consent Fees generally will not constitute income from sources within the U.S. and will be exempt from U.S. Federal income taxation. The Puerto Rico income tax consequences to Non-tendering Holders that accept Consent Fees in exchange for proxies in favor of the Preferred Stock Amendment are subject to uncertainty. While not free from doubt, First BanCorp intends to take the position that the Consent Fees are paid in connection with the performance of services and are taxable as ordinary income and will constitute Puerto Rico source income to the extent such services are deemed to have been rendered in Puerto Rico.

WHO SHOULD I CONTACT IF I HAVE QUESTIONS?

Any questions or requests for assistance concerning the Exchange Offer should be directed to the Dealer Manager. Any questions regarding procedures for tendering Preferred Stock, or requests for additional copies of this Prospectus or the accompanying Letter of Transmittal should be directed to the Exchange Agent or the Information Agent. The contact information for the Dealer Manager, the Exchange Agent, and the Information Agent is set forth on the back cover page of this prospectus.

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PROSPECTUS SUMMARY

The following summary highlights material information contained in this prospectus. It may not contain all of the information that is important to you and is qualified in its entirety by the more detailed information included or incorporated by reference into this prospectus. Before deciding to exchange your Preferred Stock for shares of our Common Stock, you should carefully consider the information contained in or incorporated by reference into this prospectus, including the information set forth under the heading Risk Factors beginning on page 27 in this prospectus.

OUR COMPANY

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

As of September 30, 2012, the Corporation had total assets of \$13.1 billion, total deposits of \$9.9 billion and total stockholders' equity of \$1.5 billion.

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

FirstBank conducts its business through its main office located in San Juan, Puerto Rico and, as of January 23, 2013, forty-eight branches in Puerto Rico, fourteen branches in the United States Virgin Islands and British Virgin Islands and twelve branches in the state of Florida (USA). As of January 23, 2013, FirstBank had five wholly-owned subsidiaries with operations in Puerto Rico: First Federal Finance Corp. (d/b/a Money Express La Financiera), a finance company specializing in the origination of small loans with twenty-six offices in Puerto Rico; First Mortgage, Inc., a residential mortgage loan origination company with thirty-seven offices in FirstBank branches and at stand alone sites; First Management of Puerto Rico, a domestic corporation that holds tax-exempt assets; FirstBank Puerto Rico Securities Corp, a broker-dealer subsidiary engaged in municipal bond underwriting and financial advisory services on structured financings principally provided to government entities in the Commonwealth of Puerto Rico; and FirstBank Overseas Corporation, an international banking entity organized under the International Banking Entity Act of Puerto Rico. As of January 23, 2013, FirstBank had one subsidiary with operations outside of Puerto Rico: First Express, a finance company specializing in the origination of small loans with two offices in the United States Virgin Islands.

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

Pursuant to the Regulatory Agreements, the Corporation and FirstBank agreed to take certain actions designed to improve our financial condition. These actions include the adoption and implementation of various

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plans, procedures and policies related to our capital, lending activities, liquidity and funds management and strategy. In addition, the FDIC Order required FirstBank to develop and adopt a plan to attain and maintain a leverage ratio of at least 8%, a Tier 1 capital to risk-weighted assets ratio of at least 10%, and a total capital to risk-weighted assets ratio of at least 12%, and obtain FDIC approval prior to issuing, increasing, renewing or rolling over brokered deposits. The FED Agreement also requires the Corporation to obtain the approval of the FED prior to paying dividends, receiving dividends from FirstBank, incurring, increasing or guaranteeing any debt, or purchasing or redeeming any stock, to comply with certain notice provisions prior to appointing any new directors or senior executive officers, and to comply with certain restrictions on severance payments and indemnification. As of the filing date, the Corporation and FirstBank were in compliance with the provisions of the Regulatory Agreements.

We have taken the following actions to comply with the Regulatory Agreements:

In July 2010, the Corporation and FirstBank jointly submitted to the FDIC, the OCIF and the Federal Reserve, a capital plan, which was revised in March 2011, regarding our strategies to improve our capital positions to comply with the Regulatory Agreements. Our issuance of Common Stock in exchange for shares of the Corporation's preferred stock that were held by the U.S. Department of the Treasury (Treasury) and by public investors in 2011 and 2010, and our issuance of approximately 184 million shares of Common Stock in 2011 (the capital raise), which implemented our capital plan, have significantly improved our capital position. These actions allow us to continue to pursue strategic initiatives and business objectives that will further improve our financial condition.

We have deleveraged our balance sheet to preserve capital, principally by selling investments and loans and reducing the size of the loan portfolio through the non-renewal of matured commercial loans (mostly temporary loan facilities to the Puerto Rico government), the charge-off of portions of loans deemed uncollectible, and a decrease in loan originations (mainly in construction loans). We believe these steps have improved the quality of our loan portfolio, thereby improving our financial condition by reducing the level of problem loans that could require additional provisions for loan losses and affect the Corporation's results of operations.

THE EXCHANGE OFFER

We are offering to issue up to 10,087,488 shares of Common Stock in exchange for all issued and outstanding shares of Preferred Stock. In addition, approval of the Preferred Stock Amendment will result in the removal of the provision in the certificate of designation for each series of Preferred Stock that entitles the holders of Preferred Stock to appoint two additional members to our Board of Directors when the Corporation has not paid dividends in full on the Preferred Stock for 18 monthly dividend periods (whether consecutive or not), which removal will enhance the Corporation's ability to comply with contractual requirements related to the composition of the Board of Directors and the qualification of directors, and will eliminate the potential for increased disparity between the economic interest and Board representation of holders of Preferred Stock.

DIVIDEND SUSPENSION ON COMMON STOCK AND PREFERRED STOCK

The Corporation has not paid dividends on shares of Preferred Stock and Common Stock since August 2009. We are not required to pay dividends on our Preferred Stock or Common Stock and no such dividends can be paid unless they are declared by our Board of Directors out of funds legally available for payment. Moreover, the FED Agreement requires us to obtain its approval before we pay any dividends. Furthermore, our Board of Directors cannot declare, set apart or pay any dividends on shares of our Common Stock unless any accrued and unpaid dividends on our Preferred Stock for the twelve monthly dividend periods ending on the immediately preceding

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dividend payment date have been paid or are paid contemporaneously and the full monthly dividend on our Preferred Stock for the then current month has been or is contemporaneously declared and paid or declared and set apart for payment.

The Banking Act of the Commonwealth of Puerto Rico requires that a minimum of 10% of FirstBank's net income for the year be transferred to legal surplus until such surplus equals the total of paid-in-capital on common and preferred stock. Amounts transferred to the legal surplus account from the retained earnings account are not available for distribution to the Corporation without the prior consent of the OCIF.

FirstBank's net loss experienced in 2011 exhausted FirstBank's statutory reserve fund. FirstBank cannot pay dividends to the Corporation until it can replenish the reserve fund to an amount equal to at least 20% of the original capital contributed.

ANTI-DILUTION RIGHTS THAT MAY BE TRIGGERED BY THE EXCHANGE OFFER

If the Corporation issues more than 8 million shares of Common Stock in the Exchange Offer, THL, which owns 24.58% of our Common Stock, Oaktree, which owns 24.58% of our Common Stock, and funds advised by Wellington, which own 9.86% of our Common Stock, will have the right to acquire the amount of shares of Common Stock (at the same price offered in the Exchange Offer) that will enable them to maintain their percentage ownership interest in the Corporation. The ownership of THL, Oaktree, and funds advised by Wellington is based on their most recent regulatory filings.

RECENT DEVELOPMENTS

There follows certain unaudited financial information as of and for the quarter ended December 31, 2012:

Net income of \$14.5 million.

Net interest income of \$125.6 million, resulting in net interest margin of 3.91%.

Total assets of approximately \$13.1 billion.

Total loans of \$9.7 billion net of an allowance for loan and leases losses of \$435.4 million.

Total liabilities of \$11.6 billion.

Total deposits of \$9.9 billion.

The financial results for the fourth quarter of 2012 reflect changes in a number of key areas. The following provides fourth quarter highlights as compared to the fourth quarter of 2011 and to the third quarter of 2012:

Net interest income increased to \$125.6 million as compared to net interest income of \$98.5 million for the fourth quarter of 2011. The \$27.1 million increase was largely driven by lower rates paid on deposits and an overall reduction in the cost of funds combined with the contribution of the \$406 million credit card portfolio acquired in late May 2012. Net interest income for the fourth quarter was relatively flat as compared to net interest income of \$125.5 million for the third quarter of 2012. The net interest margin also improved during 2012 as compared to 2011. Net interest margin for the fourth quarter of 2012 was 3.91% compared to 2.94% for the fourth quarter of 2011 and was slightly lower when compared to 3.98% for the third quarter of 2012 mainly due to higher cash balances maintained at the Federal Reserve. The provision for loan and lease losses of \$30.5 million and \$29 million for the fourth and third quarter of 2012, respectively, was lower than the provision of \$42 million for the fourth quarter of 2011, reflecting a stabilization in credit quality metrics during 2012, including improvements in charge-off trends and the overall decrease in the size of the portfolio. The Corporation's credit profile improved as non-performing assets decreased \$99.1 million to \$1.238 billion or 7% compared to \$1.337 billion as of December 31, 2011. Non-performing assets, which consists of total non-performing loans (generally loans held for investment or loans held for sale on which the recognition of interest income has been discontinued when the loan became 90 days past due or earlier if the full and timely collection of interest or principal is uncertain), real estate

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owned (REO) and other repossessed property and collateral pledged to Lehman Brothers Special Financing, Inc. and excludes past due loans 90 days and still accruing, decreased by \$21.2 million when compared to non-performing assets of \$1.259 billion as of September 30, 2012. Net charge-offs for the fourth quarter of 2012 of \$40.6 million were lower than net-charge offs of \$67.8 for the fourth quarter of 2011 and in line with net charge-offs of \$40.6 for the third quarter of 2012. In addition, fee income derived from deposits, loan products and transaction fees, including fee income generated from the credit card portfolio acquired in 2012, increased and the quality of our deposit base improved in 2012 with a \$313.7 million, or 5%, growth in non-brokered deposits. These variances were partially offset by equity in losses of unconsolidated entities of \$8.3 million for the fourth quarter of 2012, a negative variance of \$10.0 million compared to equity in earnings of unconsolidated entities of \$1.7 million for the fourth quarter of 2011 and a negative variance of \$6.1 million compared to the third quarter of 2012. In addition, non-interest expenses of \$90.9 million for the fourth quarter of 2012 increased by \$5.1 million compared to the fourth quarter of 2011, driven by costs related to the credit card portfolio. Non-interest expenses for the fourth quarter of 2012 were relatively stable in comparison to the trailing third quarter of 2012, showing a \$0.9 million decrease led by lower losses on REO operations.

In the fourth quarter of 2012, the Corporation's total common equity increased to \$1.39 billion as of December 31, 2012. The Corporation's leverage, Tier 1 capital to risk-weighted assets, and total capital to risk-weighted assets ratios as of December 31, 2012 were 12.60%, 16.51% and 17.82%, respectively.

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SUMMARY OF THE OFFERING

Number of Shares of Common Stock to be Issued in the Exchange Offer	We are offering to exchange up to 10,087,488 newly issued shares of our Common Stock for outstanding shares of Preferred Stock, on the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal. As of February 7, 2013, we had 206,235,465 shares of Common Stock outstanding.
Purpose of the Exchange Offer	We are conducting this Exchange Offer to further improve the quality of our capital for regulatory purposes and to simplify our capital structure. In addition, approval of the Preferred Stock Amendment will result in the removal of the provision in the certificate of designation for each series of Preferred Stock that entitles the holders of Preferred Stock to appoint two additional members to our Board of Directors when the Corporation has not paid dividends in full on the Preferred Stock for 18 monthly dividend periods (whether consecutive or not), which removal will enhance the Corporation's ability to comply with contractual requirements related to the composition of the Board of Directors and the qualifications of directors and will eliminate the potential for increased disparity between the economic interest and Board representation of holders of Preferred Stock. See The Exchange Offer Purpose.
Condition to Participation in the Exchange Offer	<p>We are conditioning your exchange of Preferred Stock on your granting a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment. If you acquire your shares of Preferred Stock after the Record Date, you may still participate in the Exchange Offer as long as you tender your shares of Preferred Stock prior to the Expiration Date. The affirmative written consent of holders of at least two-thirds of the aggregate liquidation preference of the outstanding shares of each series of Preferred Stock is required to approve the Preferred Stock Amendment. In addition, the affirmative written consent of holders of at least a majority of our outstanding shares of Common Stock is required to approve the Preferred Stock Amendment. None of the certificates of designation will be amended unless the requisite approval from holders of each series of Preferred Stock is obtained. See The Exchange Offer Condition to Participation in the Exchange Offer.</p> <p>Attached to this prospectus is a proxy statement relating to the Preferred Stock Amendment and included as an exhibit to this prospectus is a letter of transmittal relating to both the Exchange Offer and the Preferred Stock Amendment.</p> <p> Holders of Preferred Stock that is not tendered in the Exchange Offer will receive a fee of \$0.25 per share of Preferred Stock for their proxies in favor of the Preferred Stock Amendment if the Preferred Stock Amendment is</p>

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approved. To participate in the Exchange Offer, tendering holders of Preferred Stock must grant a proxy permitting the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment except if a tendering holder is not a holder of shares of Preferred Stock as of the Record Date. No Consent Fee will be paid with respect to tendered Preferred Stock.

The Board of Directors recommends that you grant a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment.

The Board of Directors will set the record date for determining holders of Preferred Stock entitled to grant their proxy as March 11, 2013, the date that is five business days before the Expiration Date.

If the Preferred Stock Amendment is approved, the effective date of the amendment will be no earlier than 20 business days after the Record Date.

Consideration Offered in the Exchange Offer

For each share of Preferred Stock that we accept for exchange in accordance with the terms of the Exchange Offer, we will issue a number of shares of our Common Stock having the aggregate dollar value (based on the Relevant Price) equal to the applicable Exchange Value, except if the requisite number of shares would include a fractional share or the Relevant Price is equal to the Minimum Share Price.

CUSIP	Title of securities	Aggregate liquidation preference outstanding	Liquidation preference per share	Exchange Value
318672201	7.125% Noncumulative Perpetual Monthly Income Preferred Stock, Series A	\$ 11,254,875	\$25	\$ 20
318672300	8.35% Noncumulative Perpetual Monthly Income Preferred Stock, Series B	\$ 11,899,675	\$25	\$ 20
318672409	7.40% Noncumulative Perpetual Monthly Income Preferred Stock, Series C	\$ 11,515,275	\$25	\$ 20
318672508	7.25% Noncumulative Perpetual Monthly Income Preferred Stock, Series D	\$ 12,764,800	\$25	\$ 20
318672607	7.00% Noncumulative Perpetual Monthly Income Preferred Stock, Series E	\$ 15,612,175	\$25	\$ 20

Depending on the trading price of our Common Stock compared to the Relevant Price, which will be the greater of the average VWAP and the Minimum Share Price, the market value of the Common Stock on the date that it is issued in exchange for each share of Preferred Stock that the Corporation accepts for exchange, that is, the Settlement Date, may be less than or equal to or greater than the applicable Exchange Value. If the fair market value of our Common Stock is below the Relevant Price on the date we issue Common Stock in the Exchange Offer, the market value of the

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	<p>Common Stock issued will be less than the applicable Exchange Value. If the Minimum Share Price is used to determine the exchange ratio, 4 shares of Common Stock will be issued in exchange for each share of Preferred Stock that we accept for tender in the Exchange Offer; the market value of those shares will be less than the applicable Exchange Value if the trading price of our Common Stock is below \$5.00 per share. See The Exchange Offer Terms of the Exchange Offer.</p>
Fractional Shares	<p>We will not issue fractional shares of our Common Stock in the Exchange Offer and no cash will be paid for fractional shares. Instead, the number of shares of Common Stock received by each holder whose shares of Preferred Stock are accepted for exchange in the Exchange Offer will be rounded down to the nearest whole number.</p>
No Board Recommendation on the Exchange Offer	<p>The Board of Directors is not making a recommendation regarding whether you should tender your shares of Preferred Stock in the Exchange Offer. See The Exchange Offer No Board Recommendation on the Exchange Offer.</p>
Board Recommendation on the Preferred Stock Amendment	<p>The Board of Directors has approved and declared advisable the Preferred Stock Amendment and recommends that you vote in favor of the Preferred Stock Amendment. See The Exchange Offer Board Recommendation on the Preferred Stock Amendment.</p>
Publication of Exchange Ratio Information	<p>Throughout the Exchange Offer, the indicative average VWAP, the Minimum Share Price, and the indicative exchange ratios will be available at www.firstbankpr.com, by clicking on Exchange Offer in the Investor Relations section, and from the Information Agent, at the number listed on the back cover page of this prospectus. We will determine the final exchange ratio for each series of Preferred Stock as soon as practicable after 4:00 p.m., New York City time, on the second business day immediately preceding the Expiration Date, which we will announce by press release no later than 9:00 a.m., New York City time, on the next succeeding business day. Those final exchange ratios will also be made available at www.firstbankpr.com, by clicking on Exchange Offer in the Investor Relations section, and from the Information Agent. See The Exchange Offer Publication of Exchange Ratio Information.</p>
Expiration Date	<p>The Exchange Offer will expire at 5:00 p.m., New York City time, on March 18, 2013, unless extended in accordance with applicable law or earlier terminated by us. You may withdraw any shares of Preferred Stock that you tendered in the Exchange Offer on or prior to the Expiration Date. See The Exchange Offer Expiration Date; Settlement Date; Extension; Termination; Amendment.</p>

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Settlement Date	The Settlement Date with respect to the Exchange Offer will be a date promptly following the Expiration Date, which is expected to be within three trading days. Once all the conditions to the Exchange Offer are satisfied or waived, we will accept, promptly after the Expiration Date, all Preferred Stock properly tendered and will issue the Common Stock promptly after the expiration of the Exchange Offer.
Withdrawal Rights	You may withdraw tendered shares of Preferred Stock on or prior to the Expiration Date. In addition, you may withdraw any shares of Preferred Stock that you tender that are not accepted by us for exchange after the expiration of 40 business days after the commencement of the Exchange Offer. If you validly withdraw your shares of Preferred Stock tendered in the Exchange Offer on or prior to the Expiration Date, such withdrawal will also revoke your proxy with respect to the withdrawn shares. See The Exchange Offer Withdrawal of Tenders.
Conditions to Completion of the Exchange Offer	Our obligation to issue shares of Common Stock in exchange for shares of Preferred Stock in the Exchange Offer is subject to a number of conditions that must be satisfied or waived, including, among others, that (i) holders of at least two-thirds of the aggregate liquidation preference of the outstanding shares of each series of Preferred Stock and holders of a majority of our outstanding shares of Common Stock give a Consent in favor of the Preferred Stock Amendment, (ii) the SEC declares effective the registration statement of which this prospectus is a part, and (iii) there is no change or development (affecting our business or otherwise) that in our reasonable judgment may materially reduce the anticipated benefits to us of the Exchange Offer or that has had, or could reasonably be expected to have, a material adverse effect on us or our businesses, financial condition, operations or prospects. Our obligation to exchange is not subject to any minimum tender condition. See The Exchange Offer Conditions to Completion of the Exchange Offer.
Extensions; Waivers and Amendments; Termination	Subject to applicable law, we reserve the right to: (1) extend the Exchange Offer; (2) waive any and all conditions applicable to the Exchange Offer, other than the approval of the Preferred Stock Amendment and the effectiveness of the registration statement, of which this prospectus is a part; (3) amend the Exchange Offer in any respect, including amending the Exchange Value or the Minimum Share Price; and (4) terminate the Exchange Offer. Any extension, waiver, amendment or termination will be followed as promptly as practicable by a public announcement thereof, such announcement in the case of an extension to be issued

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Procedures for Tendering Shares of Preferred Stock

no later than 9:00 a.m., New York City time, on the next business day after the last previously scheduled Expiration Date. This Exchange Offer may be extended in accordance with applicable law. See The Exchange Offer Conditions to Completion of the Exchange Offer and Expiration Date; Settlement Date; Extension; Termination; Amendment.

If you are a beneficial owner of shares of Preferred Stock held by a broker, securities dealer, custodian, commercial bank, trust company or other nominee and wish to participate in the Exchange Offer, you should follow the instructions that you receive from your broker, securities dealer, custodian, commercial bank, trust company or other nominee on how to participate in the Exchange Offer and grant a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment.

If you are a DTC participant, you must electronically transmit your acceptance of the Exchange Offer by causing DTC to transfer your shares of Preferred Stock to the Exchange Agent in accordance with DTC's ATOP procedures for such a transfer. DTC will then send an Agent's Message to the Exchange Agent. The term Agent's Message means a message transmitted by DTC, received by the Corporation and forming part of the confirmation of the book-entry transfer electronically through DTC's ATOP system, to the effect that:

DTC has received an express acknowledgment from a participant in ATOP that it is tendering its shares of Preferred Stock and, if such participant was a holder of shares of Preferred Stock as of the Record Date, it is providing a proxy to the proxyholders to execute a written Consent in favor of the Preferred Stock Amendment;

such participant has received and agrees to be bound by the letter of transmittal accompanying this prospectus to the same extent as if it tendered shares of Preferred Stock pursuant to a manually executed letter of transmittal, including the Form for Tendering Holders; and

the agreement may be enforced against such participant.

If you are a stockholder of record, you must do each of the following in order to validly tender your shares of Preferred Stock for exchange:

complete and manually sign the letter of transmittal accompanying this prospectus, including the Form for Tendering Holders granting a proxy to the proxyholders to execute a written Consent in favor of

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the Preferred Stock Amendment, or a facsimile of the letter of transmittal, including the Form for Tendering Holders, and deliver same to the Exchange Agent;

have the signature on the letter of transmittal, or a facsimile of the letter of transmittal, including the Form for Tendering Holders guaranteed, if required, and deliver same to the Exchange Agent;

deliver the certificates for your shares of Preferred Stock to the Exchange Agent;

if required, furnish appropriate endorsements and transfer documents; and

pay all transfer or similar taxes imposed for any reason other than the exchange of shares of Preferred Stock pursuant to the Exchange Offer.

If you acquire your shares of Preferred Stock after the Record Date, you may still participate in the Exchange Offer as long as you tender your shares of Preferred Stock prior to the Expiration Date. You may obtain copies of the letter of transmittal from the Exchange Agent.

We are not providing for guaranteed delivery procedures. You must allow sufficient time for the necessary tender procedures to be completed during normal business hours of DTC on or prior to the Expiration Date. If you hold your shares of Preferred Stock through a broker, securities dealer, custodian, commercial bank, trust company or other nominee, you should instruct your nominee promptly in order to allow adequate processing time for your instruction. If you are a stockholder of record, you must deliver to the Exchange Agent certificated shares of the Preferred Stock to be exchanged and your proxy in the manner specified in the accompanying letter of transmittal together with a proper assignment of the shares of Preferred Stock to First BanCorp.

See The Exchange Offer Procedures for Tendering Shares of Preferred Stock.

U.S. Federal Income Tax Considerations

Subject to the discussion of certain matters regarding the Consent Fee described under the heading Material U.S. Federal Income Tax Considerations, for U.S. federal income tax purposes: (i) the exchange of shares of Preferred Stock for shares of our Common Stock pursuant to the Exchange Offer will be treated as a recapitalization within the meaning of Section 368(a)(1)(E) of the Internal Revenue Code of 1986, as amended; and (ii) it is intended that this prospectus, in combination with the related letter of transmittal, will constitute a plan of reorganization, within the meaning of Treasury Regulation Section 1.368-2(g). Therefore, we

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	anticipate that no gain or loss will be recognized upon completion of the Exchange Offer by any persons subject to U.S. federal income tax. Each holder is urged to consult its tax advisor regarding the U.S. federal, state, local, and foreign income and other tax consequences of exchanging shares of Preferred Stock for shares of our Common Stock and of owning and disposing of shares of our Common Stock. See Material U.S. Federal Income Tax Considerations.
Certain Puerto Rico Income Tax Considerations	Subject to the discussion of certain matters regarding the Consent Fee described under the heading Certain Puerto Rico Tax Considerations, for Puerto Rico income tax purposes, the exchange of the shares of Preferred Stock for shares of our Common Stock pursuant to the Exchange Offer will be treated as a recapitalization within the meaning of Section 1034.04 (g)(1)(E) of the Puerto Rico Internal Revenue Code of 2011, as amended. Therefore, we anticipate that no gain or loss will be recognized upon completion of the Exchange Offer by any persons subject to Puerto Rico income tax. Each holder is urged to consult its own tax advisor regarding the application to its particular circumstances of the Puerto Rico income tax consequences as well as the application of any, state, local and foreign income and other tax consequences of exchanging the shares of Preferred Stock for our Common Stock and of owning and disposing of our Common Stock. See Certain Puerto Rico Tax Considerations.
Consequences of Not Exchanging Shares of Preferred Stock	The reduction in the number of shares of Preferred Stock after completion of the Exchange Offer may further impact the liquidity of our Preferred Stock. In addition, if the Exchange Offer is completed, the Preferred Stock Amendment will remove the provision that entitles holders of Preferred Stock to appoint two additional directors when, as is the case now, we have not paid dividends for 18 monthly periods.
Comparison of Rights	There are material differences between the rights of holders of our Common Stock and holders of Preferred Stock. See Description and Comparison of Preferred Stock and Common Stock Rights.
No Appraisal/Dissenters Rights	Under Puerto Rico law and our Restated Articles of Incorporation, holders of Preferred Stock will not be entitled to dissenter s rights or appraisal rights with respect to the Preferred Stock Amendment.
Market Trading	Our Common Stock is traded on the NYSE under the symbol FBP. We will file an application with the NYSE to list the shares of our Common Stock to be issued in the Exchange Offer. Our Preferred Stock is not traded on any national securities exchange registered under the Exchange Act. See Market Price, Dividend and Distribution Information.

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Brokerage Fees	<p>Holders that tender their shares of Preferred Stock to the Exchange Agent do not have to pay a brokerage fee or processing fees to us or to the Dealer Manager, the Exchange Agent, or the Information Agent. However, if a tendering holder handles the transaction through its broker, securities dealer, custodian, commercial bank, trust company or other nominee, that holder may be required to pay brokerage fees or processing fees to its broker, securities dealer, custodian, commercial bank, trust company or other nominee.</p>
Soliciting Dealer Fee	<p>We will make payments to brokers, securities dealers, custodians, commercial banks, trust companies and other nominees that solicit tenders or proxies from holders of Preferred Stock (each a soliciting dealer) a fee in an amount equal to \$0.125 for each share of Preferred Stock owned by a holder of fewer than 10,000 shares of Preferred Stock if such soliciting dealer s soliciting activities result in (i) the tender of the shares by such holder and the Corporation s acceptance of such shares of Preferred Stock in the Exchange Offer or (ii) such holder s grant of a proxy in favor of the Preferred Stock Amendment</p>
Dealer Manager	Sandler O Neill & Partners, L.P.
Exchange Agent	Computershare
Information Agent	Georgeson Inc.
Questions and Further Information	<p>Any questions or requests for assistance concerning the Exchange Offer should be directed to the Dealer Manager. Any questions regarding procedures for tendering Preferred Stock, or requests for additional copies of this Prospectus or the accompanying Letter of Transmittal should be directed to the Exchange Agent or the Information Agent.</p> <p>The contact information for the Dealer Manager, the Exchange Agent, and the Information Agent is set forth on the back cover page of this prospectus. If you are a beneficial owner and have questions regarding the procedures for tendering your shares of Preferred Stock, you may also contact your broker, securities dealer, custodian, commercial bank, trust company or other nominee.</p> <p>As required by the Securities Act of 1933, as amended, we have filed a registration statement to register the shares of Common Stock being offered in the Exchange Offer. This prospectus is a part of that registration statement, which includes additional information. See Where You Can Find More Information.</p>

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RISK FACTORS

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

RISKS RELATED TO THE EXCHANGE OFFER

The Minimum Share Price limitation may result in your receiving shares of our Common Stock worth less than the shares you would receive in the absence of that constraint.

The closing sale price for our Common Stock on the NYSE on February 13, 2013 was \$5.43 per share. If the average VWAP is less than the Minimum Share Price, we will use the Minimum Share Price and not the average VWAP to calculate the number of shares of our Common Stock you will receive. In that case, you will receive shares of our Common Stock with a value that is less than the value of the shares you would receive in the absence of that limitation.

The use of the average VWAP may result in your receiving shares of Common Stock worth less than the shares you would receive if we used the fair market value on the issue date.

If the average VWAP is lower than the fair market value of our Common Stock on the day we issue the shares of Common Stock, the market value of the Common Stock we issue in exchange for each share of Preferred Stock we accept for exchange will be less than the applicable Exchange Value.

If the Exchange Offer is successful, there may no longer be a market for any remaining shares of Preferred Stock.

The Exchange Offer is for any and all shares of Preferred Stock. Any shares of Preferred Stock not exchanged in the Exchange Offer will remain outstanding after the completion of the Exchange Offer. The reduction in the number of shares of Preferred Stock after the completion of the Exchange Offer may adversely impact the liquidity of our Preferred Stock.

If the Exchange Offer is completed, you will not have the right to appoint Board members when we have not paid dividends on the Preferred Stock for 18 monthly periods.

We are conditioning exchanges of Preferred Stock on our receipt of proxies authorizing proxyholders to Consent in favor of the Preferred Stock Amendment. We must receive Consents in favor of the Preferred Stock Amendment from holders of at least two-thirds of the outstanding aggregate liquidation preference of each series of Preferred Stock and holders of at least a majority of our outstanding shares of Common Stock to amend the certificates of designation of the Preferred Stock and complete the Exchange Offer. Thus, if the Exchange Offer is completed, any holders of Preferred Stock remaining after completion of the Exchange Offer will not have the right to representation on our Board of Directors.

RISKS RELATING TO THE CORPORATION'S BUSINESS

We are operating under agreements with our regulators.

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

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As such, we are permitted to engage in a broader spectrum of activities than those permitted to bank holding companies that are not financial holding companies. At this time, under the BHC Act, we may not be able to engage in new activities or acquire shares or control of other companies. In addition, we are subject to restrictions because of the Regulatory Agreements that our subsidiary FirstBank entered into with the FDIC and we entered into with the Federal Reserve, as further described below.

On June 4, 2010, we announced that FirstBank agreed to the FDIC Order issued by the FDIC and OCIF, and we entered into the FED Agreement with the Federal Reserve. These Regulatory Agreements stemmed from the FDIC's examination as of the period ended June 30, 2009 conducted during the second half of 2009. Although our regulatory capital ratios exceeded the required established minimum capital ratios for a well-capitalized institution as of September 30, 2012 and complied with the capital ratios required by the FDIC Order, FirstBank cannot be regarded as well-capitalized as of September 30, 2012 because of the FDIC Order.

Under the FDIC Order, FirstBank agreed to address specific areas of concern to the FDIC and OCIF through the adoption and implementation of procedures, plans and policies designed to improve the safety and soundness of FirstBank. These actions include, among others: (1) having and retaining qualified management; (2) increased participation in the affairs of FirstBank by its Board of Directors; (3) development and implementation by FirstBank of a capital plan to attain a leverage ratio of at least 8%, a Tier 1 risk-based capital ratio of at least 10%, and a total risk-based capital ratio of at least 12%; (4) adoption and implementation of strategic, liquidity and fund management, and profit and budget plans and related projects within certain timetables set forth in the FDIC Order and on an ongoing basis; (5) adoption and implementation of plans for reducing FirstBank's positions in certain classified assets and delinquent and non-accrual loans; (6) refraining from lending to delinquent or classified borrowers already obligated to FirstBank on any extensions of credit so long as such credit remains uncollected, except where FirstBank's failure to extend further credit to a particular borrower would be detrimental to the best interests of FirstBank, and any such additional credit is approved by FirstBank's Board of Directors; (7) refraining from accepting, increasing, renewing or rolling over brokered CDs without the prior written approval of the FDIC; (8) establishment of a comprehensive policy and methodology for determining the allowance for loan and lease losses and the review and revision of FirstBank's loan policies, including the non-accrual policy; and (9) adoption and implementation of adequate and effective programs of independent loan review, appraisal compliance and an effective policy for managing FirstBank's sensitivity to interest rate risk.

The FED Agreement, which is designed to enhance our ability to act as a source of strength to FirstBank, requires that we obtain prior Federal Reserve approval before declaring or paying dividends, receiving dividends from FirstBank, making payments on subordinated debt or trust preferred securities, incurring, increasing or guaranteeing debt (whether such debt is incurred, increased or guaranteed, directly or indirectly, by us or any of our non-banking subsidiaries) or purchasing or redeeming any capital stock. The FED Agreement also requires us to submit to the Federal Reserve a capital plan and progress reports, comply with certain notice provisions prior to appointing new directors or senior executive officers and comply with certain payment restrictions on severance payments and indemnification restrictions.

We anticipate that we will need to continue to dedicate significant resources to our efforts to comply with the Regulatory Agreements, which may increase operational costs or adversely affect the amount of time our management has to conduct our operations. If we need to continue to recognize significant reserves, we and FirstBank may not be able to continue to comply with the minimum capital requirements included in the capital plans required by the Regulatory Agreements.

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

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

Even though, as of September 30, 2012, our level of non-performing loans decreased for ten consecutive quarters and our second and third quarters of 2012 were profitable, those are our only profitable quarters since 2009, and we have \$1.0 billion in non-performing loans, which represents approximately 9.9% of our \$10.2 billion loan portfolio held for investment. We may not continue to be profitable given this high level of non-performing loans.

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

FirstBank relies primarily on customer deposits, its issuance of brokered CDs, and advances from the Federal Home Loan Bank to maintain its lending activities and to replace certain maturing liabilities. As of September 30, 2012, we had \$3.4 billion in brokered CDs outstanding, representing approximately 34.4% of our total deposits, and a reduction of \$323 million from the year ended December 31, 2011. Approximately \$2.4 billion in brokered CDs mature over the next twelve months, and the average term to maturity of the retail brokered CDs outstanding as of September 30, 2012 was approximately .91 years. Approximately 0.12% or \$4.3 million of the principal value of these CDs is callable at the Corporation's option.

Although FirstBank has historically been able to replace maturing deposits and advances, we may not be able to replace these funds in the future if our financial condition or general market conditions were to change or the FDIC did not approve our request to issue brokered CDs as required by the FDIC Order. The FDIC Order requires FirstBank to obtain FDIC approval prior to issuing, increasing, renewing or rolling over brokered CDs and to develop a plan to reduce its reliance on brokered CDs. Although the FDIC has issued temporary approvals permitting FirstBank to renew and/or roll over certain amounts of brokered CDs maturing in the past and we have received approval from the FDIC to renew and/or roll over certain amounts of brokered CDs through December 31, 2012, the FDIC may not continue to issue such approvals, even if the requests are consistent with our plans to reduce the reliance on brokered CDs and, even if issued, such approvals may not be for amounts of brokered CDs sufficient for FirstBank to meet its funding needs. The use of brokered CDs has been particularly important for the funding of our operations. If we are unable to issue brokered CDs, or are unable to maintain access to our other funding sources, our results of operations and liquidity would be adversely affected.

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

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

As a holding company, dividends from FirstBank provided a substantial portion of our cash flow used to service the interest payments on our trust preferred securities and other obligations. As outlined in the FED Agreement, we cannot receive any cash dividends from FirstBank without prior written approval of the Federal Reserve. In addition, FirstBank is limited by law in its ability to make dividend payments and other distributions to us based on its earnings and capital position. Our inability to receive approval from the Federal Reserve to receive dividends from FirstBank or FirstBank's failure to generate sufficient cash flow to make dividend payments to us may adversely affect our ability to meet all projected cash needs in the ordinary course of business and may have a detrimental impact on our financial condition.

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The Banking Act of the Commonwealth of Puerto Rico requires that a minimum of 10% of FirstBank's net income for the year be transferred to legal surplus until such surplus equals the total of paid-in-capital on common and preferred stock. Amounts transferred to the legal surplus account from the retained earnings account are not available for distribution to the Corporation without the prior consent of the OCIF.

FirstBank's net loss experienced in 2011 exhausted FirstBank's statutory reserve fund. FirstBank cannot pay dividends to the Corporation until it can replenish the reserve fund to an amount of at least 20% of the original capital contributed.

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

The FED Agreement provides that we cannot declare or pay any dividends or make any distributions of interest, principal or other sums on subordinated debentures or trust preferred securities without prior written approval of the Federal Reserve. With respect to our \$232 million of outstanding subordinated debentures, we elected to defer the interest payments that were due in March 2012, June 2012, September 2012 and December 2012.

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

Credit quality may result in additional losses.

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

We have a significant construction loan portfolio held for investment, in the amount of \$352.9 million as of September 30, 2012, mostly secured by commercial and residential real estate properties. Due to their nature, these loans entail a higher credit risk than consumer and residential mortgage loans, since they are larger in size, concentrate more risk in a single borrower and are generally more sensitive to economic downturns. Although we previously ceased new originations of construction loans, decreasing collateral values, difficult economic conditions and numerous other factors continue to create volatility in the housing markets and have increased the possibility that additional losses may have to be recognized with respect to our current non-performing assets. Furthermore, given the slowdown in the real estate market, the properties securing these loans may be difficult to dispose of if they are foreclosed. Although we have taken a number of steps to reduce our credit exposure, as of September 30, 2012, we still had \$189.5 million in non-performing construction loans held for investment. We may continue to incur credit losses over the near term either because of continued deterioration of the quality of the loans or because of sales of such loans, which would likely accelerate the recognition of losses. Any such losses would adversely impact our overall financial performance and results of operations.

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

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

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

Any such increases in our provision for loan losses or any loan losses in excess of our provision for loan losses would have an adverse effect on our future financial condition and results of operations. Given the difficulties facing some of our largest borrowers, these borrowers may fail to continue to repay their loans on a timely basis or we may not be able to assess accurately any risk of loss from the loans to these borrowers.

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

A substantial part of our loan portfolio is located within the boundaries of the U.S. economy. Whether the collateral is located in Puerto Rico, the United States or British Virgin Islands or the U.S. mainland, the performance of our loan portfolio and the collateral value backing the transactions are dependent upon the performance of and conditions within each specific real estate market. Puerto Rico has been in an economic recession since 2006. Sustained weak economic conditions that have affected Puerto Rico and the United States over the last several years have resulted in declines in collateral values. We measure the impairment based on the fair value of the collateral, if collateral dependent, which is generally obtained from appraisals. Updated appraisals are obtained when we determine that loans are impaired and are updated annually thereafter. In addition, appraisals are also obtained for certain residential mortgage loans on a spot basis based on specific characteristics such as delinquency levels, age of the appraisal and loan-to-value ratios. The appraised value of the collateral may decrease or we may not be able to recover collateral at its appraised value. A significant decline in collateral valuations for collateral dependent loans may require increases in our specific provision for loan losses and an increase in the general valuation allowance. Any such increase would have an adverse effect on our future financial condition and results of operations.

Interest rate shifts may reduce net interest income.

Shifts in short-term interest rates may reduce net interest income, which is the principal component of our earnings. Net interest income is the difference between the amounts received by us on our interest-earning assets and the interest paid by us on our interest-bearing liabilities. Differences in the re-pricing structure of our assets and liabilities may result in changes in our profits when interest rates change.

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Increases in interest rates may reduce the value of holdings of securities.

Fixed-rate securities acquired by us are generally subject to decreases in market value when interest rates rise, which may require recognition of a loss (e.g., the identification of an other-than-temporary impairment on our available-for-sale investments portfolio), thereby adversely affecting our results of operations. Market-related reductions in value also influence our ability to finance these securities.

Increases in interest rates may reduce demand for mortgage and other loans.

Higher interest rates increase the cost of mortgage and other loans to consumers and businesses and may reduce demand for such loans, which may negatively impact our profits by reducing the amount of loan interest income.

Accelerated prepayments may adversely affect net interest income.

Net interest income could be affected by prepayments of mortgage-backed securities. Acceleration in the prepayments of mortgage-backed securities would lower yields on these securities, as the amortization of premiums paid upon the acquisition of these securities would accelerate. Conversely, acceleration in the prepayments of mortgage-backed securities would increase yields on securities purchased at a discount, as the accretion of the discount would accelerate. These risks are directly linked to future period market interest rate fluctuations. Also, net interest income in future periods might be affected by our investment in callable securities because future lower rate scenarios might prompt the early redemption of such securities.

Changes in interest rates on loans and borrowings may adversely affect net interest income.

Basis risk is the risk of adverse consequences resulting from unequal changes in the difference, also referred to as the spread, between two or more rates for different instruments with the same maturity and occurs when market rates for different financial instruments or the indices used to price assets and liabilities change at different times or by different amounts. The interest expense for liability instruments, such as brokered CDs, may change by the same amount as interest income received from loans or investments. To the extent that the interest rates on loans and borrowings change at different speeds and by different amounts, the margin between our LIBOR-based assets and the higher cost of the brokered CDs may compress and adversely affect net interest income.

If all or a significant portion of the unrealized losses in our investment securities portfolio on our consolidated balance sheet is determined to be other-than-temporarily impaired, we would recognize a material charge to our earnings and our capital ratios would be adversely affected.

For the years ended December 31, 2009, 2010, and 2011, we recognized a total of \$1.7 million, \$1.2 million, and \$2.0 million, respectively, in other-than-temporary impairments. Since December 31, 2011, we have recognized a total of \$1.9 million in other-than-temporary impairments. To the extent that any portion of the unrealized losses in our investment securities portfolio of \$17.9 million as of September 30, 2012 is determined to be other-than-temporary and, in the case of debt securities, the loss is related to credit factors, we would recognize a charge to earnings in the quarter during which such determination is made and capital ratios could be adversely affected. Even if we do not determine that the unrealized losses associated with this portfolio require an impairment charge, increases in these unrealized losses adversely affect our tangible common equity ratio, which may adversely affect credit rating agency and investor sentiment towards us. Any negative perception also may adversely affect our ability to access the capital markets or might increase our cost of capital. Valuation and other-than-temporary impairment determinations will continue to be affected by external market factors including default rates, severity rates and macro-economic factors.

Downgrades in our credit ratings could further increase the cost of borrowing funds.

The Corporation's ability to access new non-deposit sources of funding could be adversely affected by downgrades in our credit ratings. The Corporation's liquidity is contingent upon its ability to obtain external

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sources of funding to finance its operations. The Corporation's current credit ratings and any downgrades in such credit ratings can hinder the Corporation's access to external funding and/or cause external funding to be more expensive, which could in turn adversely affect results of operations. Also, changes in credit ratings may further affect the fair value of certain unsecured derivatives that consider the Corporation's own credit risk as part of the valuation.

Our controls and procedures may fail or be circumvented, our risk management policies and procedures may be inadequate and operational risk could adversely affect our consolidated results of operations.

We may fail to identify and manage risks related to a variety of aspects of our business, including, but not limited to, operational risk, interest-rate risk, trading risk, fiduciary risk, legal and compliance risk, liquidity risk and credit risk. We have adopted and periodically improved various controls, procedures, policies and systems to monitor and manage risk. Any improvements to our controls, procedures, policies and systems, however, may not be adequate to identify and manage the risks in our various businesses. If our risk framework is ineffective, either because it fails to keep pace with changes in the financial markets or our businesses or for other reasons, we could incur losses or suffer reputational damage or find ourselves out of compliance with applicable regulatory mandates or expectations.

We may also be subject to disruptions from external events that are wholly or partially beyond our control, which could cause delays or disruptions to operational functions, including information processing and financial market settlement functions. In addition, our customers, vendors and counterparties could suffer from such events. Should these events affect us, or the customers, vendors or counterparties with which we conduct business, our consolidated results of operations could be negatively affected. When we record balance sheet reserves for probable loss contingencies related to operational losses, we may be unable to accurately estimate our potential exposure, and any reserves we establish to cover operational losses may not be sufficient to cover our actual financial exposure, which may have a material adverse impact on our consolidated results of operations or financial condition for the periods in which we recognize the losses.

Competition for our employees is intense, and we may not be able to attract and retain the highly skilled people we need to support our business.

Our success depends, in large part, on our ability to attract and retain key people. Competition for the best people in most activities in which we engage can be intense, and we may not be able to hire people or retain them, particularly in light of uncertainty concerning evolving compensation restrictions applicable to banks but not applicable to other financial services firms. The unexpected loss of services of one or more of our key employees could adversely affect our business because of the loss of their skills, knowledge of our markets and years of industry experience and, in some cases, because of the difficulty of promptly finding qualified replacement personnel. Similarly, the loss of key employees, either individually or as a group, could result in a loss of customer confidence in our ability to execute banking transactions on their behalf.

Further increases in the FDIC deposit insurance premium or in FDIC required reserves may have a significant financial impact on us.

The FDIC insures deposits at FDIC-insured depository institutions up to certain limits. The FDIC charges insured depository institutions premiums to maintain the Deposit Insurance Fund (the "DIF"). Current economic conditions during the last few years have resulted in higher bank failures and expectations of future bank failures. In the event of a bank failure, the FDIC takes control of a failed bank and ensures payment of deposits up to insured limits using the resources of the DIF. The FDIC is required by law to maintain adequate funding of the DIF, and the FDIC may increase premium assessments to maintain such funding.

The Dodd-Frank Act signed into law on July 21, 2010 requires the FDIC to increase the DIF's reserves against future losses, which will require institutions with assets greater than \$10 billion to bear an increased

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responsibility for funding the prescribed reserve to support the DIF. Since then, the FDIC addressed plans to bolster the DIF by increasing the required reserve ratio for the industry to 1.35 percent (ratio of reserves to insured deposits) by September 30, 2020, as required by the Dodd-Frank Act. The FDIC has also adopted a final rule raising its industry target ratio of reserves to insured deposits to 2 percent, 65 basis points above the statutory minimum, but the FDIC does not project that goal to be met until 2027.

In February 2011, the FDIC issued a final rule that amended its deposit insurance assessment regulations. The final rule implemented a provision in the Dodd-Frank Act that changes the assessment base for deposit insurance premiums from one based on domestic deposits to one based on average consolidated total assets minus average Tier 1 capital. The rule also changed the assessment rate schedules for insured depository institutions so that approximately the same amount of revenue would be collected under the new assessment base as would be collected under the current rate schedule and the schedules previously proposed by the FDIC. The rule also revised the risk-based assessment system for all large insured depository institutions (generally, institutions with at least \$10 billion in total assets, such as FirstBank). Under the rule, the FDIC uses a scorecard method to calculate assessment rates for all such institutions.

The FDIC may further increase FirstBank's premiums or impose additional assessments or prepayment requirements in the future. The Dodd-Frank Act has removed the statutory cap for the reserve ratio, leaving the FDIC free to set this cap going forward.

Losses in the value of investments in entities that the Corporation does not control could have an adverse effect on the Corporation's financial condition or results of operations.

The corporation has investments in entities that it does not control, including a 35% subordinated ownership interest in CPG/GS PR NPL, LLC (CPG/GS), organized under the laws of the Commonwealth of Puerto Rico, which is majority owned by PRLP Ventures LLC (PRLP), a company created by Goldman Sachs and Co. and Caribbean Property Group. CPG/GS is seeking to maximize the recovery of its investment in loans that it acquired from FirstBank. The Corporation's 35% interest in CPG/GS is subordinated to the interest of the majority investor in CPG/GS, which is entitled to recover its investment and receive a priority 12% return on its invested capital. The Corporation's equity interest of \$32.3 million is also subordinated to the aggregate amount of its loans to CPG/GS in the amount of \$84.1 million as of September 30, 2012. Therefore, the Corporation will not receive any return on its \$32.3 million investment until PRLP receives an aggregate amount equivalent to its initial investment and a priority return of at least 12%, resulting in FirstBank's interest in CPG/GS being subordinated to PRLP's interest.

The Corporation's interests in CPG/GS and other entities that it does not control preclude it from exercising control over the business strategy or other operational aspects of these entities. The Corporation cannot provide assurance that these entities will operate in a manner that will increase the value of the Corporation's investments, that the Corporation's proportionate share of income or losses from these entities will continue at the current level in the future or that the Corporation will not incur losses from the holding of such investments. Losses in the values of such investments could adversely affect the Corporation's results of operations.

We may not be able to recover all assets pledged to Lehman Brothers Special Financing, Inc.

Lehman Brothers Special Financing, Inc. (Lehman) was the counterparty to First BanCorp on certain interest rate swap agreements. During the third quarter of 2008, Lehman failed to pay the scheduled net cash settlement due to us, which constituted an event of default under those interest rate swap agreements. We terminated all interest rate swaps with Lehman and replaced them with other counterparties under similar terms and conditions. In connection with the unpaid net cash settlement under the swap agreements, we have an unsecured counterparty exposure with Lehman, which filed for bankruptcy on October 3, 2008, of approximately \$1.4 million. This exposure was reserved in the third quarter of 2008. We had securities pledged as collateral with a \$63.6 million face value to guarantee our performance under the swap agreements in the event payment thereunder was required.

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Since the second quarter of 2009, the Corporation has maintained a non-performing asset with a book value of \$64.5 million in addition to accrued interest of \$2.1 million related to the collateral pledged with Lehman. We believe that the securities pledged as collateral should not be part of the Lehman bankruptcy estate given the facts that the posted collateral constituted a performance guarantee under the swap agreements and was not part of a financing agreement, and that ownership of the securities was never transferred to Lehman. Upon termination of the interest rate swap agreements, Lehman's obligation was to return the collateral to us. During the fourth quarter of 2009, we discovered that Lehman Brothers, Inc., acting as agent of Lehman, had deposited the securities in a custodial account at JP Morgan Chase, and that, shortly before the filing of the Lehman bankruptcy proceedings, it had provided instructions to have most of the securities transferred to Barclays Capital (Barclays) in New York. After Barclays' refusal to turn over the securities, we filed a lawsuit against Barclays in federal court in New York demanding the return of the securities in December 2009. During February 2010, Barclays filed a motion with the court requesting that our claim be dismissed on the grounds that the allegations of the complaint are not sufficient to justify the granting of the remedies therein sought. Shortly thereafter, we filed our opposition motion. A hearing on the motions was held in court on April 28, 2010. The court, on that date, after hearing the arguments by both sides, concluded that our equitable-based causes of action, upon which the return of the investment securities is being demanded, contain allegations that sufficiently plead facts warranting the denial of Barclays' motion to dismiss our claim. Accordingly, the judge ordered the case to proceed to trial.

Subsequent to the court decision, the district court judge transferred the case to the Lehman bankruptcy court for trial. Upon such transfer, the bankruptcy court began to entertain the pre-trial procedures including discovery of evidence. In this regard, an initial scheduling conference was held before the U.S. Bankruptcy Court for the Southern District of New York on November 17, 2010, at which time a proposed case management plan was approved. Discovery pursuant to that case management plan has been completed. The parties filed dispositive motions on September 13, 2012. Oppositions to such motions and replies thereto were filed in October 2012 and November 2012, respectively. We may not succeed in our litigation against Barclays to recover all or a substantial portion of the securities.

Additionally, we continue to pursue our claim filed in January 2009 in the proceedings under the Securities Protection Act with regard to Lehman Brothers, Inc. in the U.S. Bankruptcy Court for the Southern District of New York.

An estimated loss has not been accrued as the Corporation is unable to determine the timing of the claim resolution or whether it will succeed in recovering all or a substantial portion of the collateral or its equivalent value.

Because we have not had the benefit of the use of the investment securities pledged to Lehman (i.e., ability to sell, pledge or transfer), and because we have not received principal or interest payments since 2008 (after the collapse of Lehman), the appropriate carrying value of these securities has been under review with our regulators, with recent heightened concern due to the complex and lengthy litigation regarding this matter. If, as a result of these discussions, developments in the litigation, or for other reasons, we should determine that it is probable that the asset has been impaired and that we need to recognize a partial or full loss for the investment securities we pledged to Lehman, such an action would adversely affect our results of operations in the period in which such action is taken. The Corporation expects to reassess the recoverability of the asset upon the resolution of the dispositive motions filed with the court.

Our businesses may be adversely affected by litigation.

From time to time, our customers, or the government on their behalf, may make claims and take legal action relating to our performance of fiduciary or contractual responsibilities. We may also face employment lawsuits or other legal claims. In any such claims or actions, demands for substantial monetary damages may be asserted against us resulting in financial liability or an adverse effect on our reputation among investors or on customer

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demand for our products and services. We may be unable to accurately estimate our exposure to litigation risk when we record balance sheet reserves for probable loss contingencies. As a result, any reserves we establish to cover any settlements or judgments may not be sufficient to cover our actual financial exposure, which may have a material impact on our consolidated results of operations or financial condition.

In the ordinary course of our business, we are also subject to various regulatory, governmental and law enforcement inquiries, investigations and subpoenas. These may be directed generally to participants in the businesses in which we are involved or may be specifically directed at us. In regulatory enforcement matters, claims for disgorgement, the imposition of penalties and the imposition of other remedial sanctions are possible.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs, potential liabilities and the diversion of management's attention and resources.

The resolution of legal actions or regulatory matters, if unfavorable, could have a material adverse effect on our consolidated results of operations for the quarter in which such actions or matters are resolved or a reserve is established.

Our businesses may be negatively affected by adverse publicity or other reputational harm.

Our relationships with many of our customers are predicated upon our reputation as a fiduciary and a service provider that adheres to the highest standards of ethics, service quality and regulatory compliance. Adverse publicity, regulatory actions, like the Regulatory Agreements, litigation, operational failures, the failure to meet customer expectations and other issues with respect to one or more of our businesses could materially and adversely affect our reputation or our ability to attract and retain customers or obtain sources of funding for the same or other businesses. Preserving and enhancing our reputation also depends on maintaining systems and procedures that address known risks and regulatory requirements, as well as our ability to identify and mitigate additional risks that arise due to changes in our businesses, the market places in which we operate, the regulatory environment and customer expectations. If any of these developments has a material adverse effect on our reputation, our business will suffer.

Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements.

Our financial statements are subject to the application of U.S. Generally Accepted Accounting Principles (GAAP), which are periodically revised and expanded. Accordingly, from time to time, we are required to adopt new or revised accounting standards issued by the Financial Accounting Standards Board. Market conditions have prompted accounting standard setters to promulgate new requirements that further interpret or seek to revise accounting pronouncements related to financial instruments, structures or transactions as well as to revise standards to expand disclosures. The impact of accounting pronouncements that have been issued but not yet implemented is disclosed in footnotes to our financial statements, which are incorporated herein by reference. An assessment of proposed standards is not provided as such proposals are subject to change through the exposure process and, therefore, the effects on our financial statements cannot be meaningfully assessed. It is possible that future accounting standards that we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material adverse effect on our financial condition and results of operations.

Any impairment of our goodwill or amortizable intangible assets may adversely affect our operating results.

If our goodwill or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings. Under GAAP, we review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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Goodwill is tested for impairment at least annually. Factors that may be considered a change in circumstances, indicating that the carrying value of the goodwill or amortizable intangible assets may not be recoverable, include reduced future cash flow estimates and slower growth rates in the industry.

The goodwill impairment evaluation process requires us to make estimates and assumptions with regards to the fair value of our reporting units. Actual values may differ significantly from these estimates. Such differences could result in future impairment of goodwill that would, in turn, negatively impact our results of operations and the reporting unit where the goodwill is recorded.

We conducted our 2011 evaluation of goodwill during the fourth quarter of 2011. This evaluation was a two-step process. The Step 1 evaluation of goodwill allocated to the Florida reporting unit, which is one level below the U.S. Operations segment, indicated potential impairment of goodwill. The Step 1 fair value for the unit was below the carrying amount of its equity book value as of the October 1, 2011 valuation date, requiring the completion of Step 2. Step 2 required a valuation of all assets and liabilities of the Florida reporting unit, including any recognized and unrecognized intangible assets, to determine the fair value of net assets. To complete Step 2, we subtracted from the unit's Step 1 fair value the determined fair value of the net assets to arrive at the implied fair value of goodwill. Although the results of the Step 2 analysis indicated that the implied fair value of goodwill of \$40.4 million exceeded the goodwill carrying value of \$27 million, no assurance can be given that no goodwill impairment will be recognized in the future. There have been no events related to the Florida reporting unit that could indicate potential goodwill impairment since the date of the last evaluation; therefore, no goodwill impairment evaluation was performed during the first nine months of 2012. If we are required to record a charge to earnings in our consolidated financial statements because an impairment of the goodwill or amortizable intangible assets is determined, our results of operations could be adversely affected.

The Corporation's judgments regarding accounting policies and the resolution of tax disputes may impact the Corporation's earnings and cash flow.

Significant judgment is required in determining the Corporation's effective tax rate and in evaluating its tax positions. The Corporation provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement criteria prescribed by applicable GAAP.

Fluctuations in federal, state, local and foreign taxes or a change to uncertain tax positions, including related interest and penalties, may impact the Corporation's effective tax rate. When particular tax matters arise, a number of years may elapse before such matters are audited and finally resolved. In addition, tax positions may be challenged by the U.S. Internal Revenue Service (IRS) and the tax authorities in the jurisdictions in which we operate, and we may estimate and provide for potential liabilities that may arise out of tax audits to the extent that uncertain tax positions fail to meet the recognition standard under applicable GAAP. Unfavorable resolution of any tax matter could increase the effective tax rate and could result in a material increase in our tax expense. Resolution of a tax issue may require the use of cash in the year of resolution. With respect to FirstBank, the years 2007 through 2009 have been examined by the IRS and disputed issues have been taken to administrative appeals. Although the timing of the resolution and/or closure of audits is highly uncertain, the Corporation believes it is reasonably possible that the IRS will conclude this audit within the next twelve months. If any issues addressed in this audit are resolved in a manner not consistent with the Corporation's expectations, the Corporation could be required to adjust its provision for income taxes in the period in which such resolution occurs. The Corporation currently cannot reasonably estimate a range of possible changes to existing reserves.

We must respond to rapid technological changes, and these changes may be more difficult or expensive than anticipated.

If competitors introduce new products and services embodying new technologies, or if new industry standards and practices emerge, our existing product and service offerings, technology and systems may become obsolete. Further, if we fail to adopt or develop new technologies or to adapt our products and services to

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emerging industry standards, we may lose current and future customers, which could have a material adverse effect on our business, financial condition and results of operations. The financial services industry is changing rapidly and, in order to remain competitive, we must continue to enhance and improve the functionality and features of our products, services and technologies. These changes may be more difficult or expensive than we anticipate.

RISKS RELATING TO BUSINESS ENVIRONMENT AND OUR INDUSTRY

Difficult market conditions have affected the financial industry and may adversely affect us in the future.

Given that most of our business is in Puerto Rico and the United States and given the degree of interrelation between Puerto Rico's economy and that of the United States, we are exposed to downturns in the U.S. economy. Continued high levels of unemployment and underemployment in the United States and depressed real estate valuations have negatively impacted the credit performance of mortgage loans, credit default swaps and other derivatives, and resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities as well as major commercial banks and investment banks. These write-downs have caused many financial institutions to seek additional capital from private and government entities, merge with larger and stronger financial institutions and, in some cases, fail.

A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and other financial institutions. In particular, we may face the following risks in connection with these events:

Our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite the loans become less predictive of future behaviors.

The models used to estimate losses inherent in the credit exposure require difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of the borrowers to repay their loans, which may no longer be capable of accurate estimation and which may, in turn, impact the reliability of the models.

Our ability to borrow from other financial institutions or to engage in sales of mortgage loans to third parties (including mortgage loan securitization transactions with government-sponsored entities and repurchase agreements) on favorable terms, or at all, could be adversely affected by further disruptions in the capital markets or other events, including deteriorating investor expectations.

Competitive dynamics in the industry could change as a result of consolidation of financial services companies in connection with current market conditions.

We may be unable to comply with the Regulatory Agreements, which could result in further regulatory enforcement actions.

We expect to face increased regulation of our industry. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities.

There may be downward pressure on our stock price.

If current levels of market disruption and volatility worsen, our ability to access capital and our business, financial condition and results of operations may be materially and adversely affected.

Continuation of the economic slowdown and decline in the real estate market in the U.S. mainland and in Puerto Rico could continue to harm our results of operations.

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The residential mortgage loan origination business has historically been cyclical, enjoying periods of strong growth and profitability followed by periods of shrinking volumes and industry-wide losses. The market for residential mortgage loan originations has declined over the past few years and this trend may continue to reduce

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the level of mortgage loans we produce in the future and adversely affect our business. During periods of rising interest rates, the refinancing of many mortgage products tends to decrease as the economic incentives for borrowers to refinance their existing mortgage loans are reduced. In addition, the residential mortgage loan origination business is impacted by home values. Over the past few years, residential real estate values in many areas of the U.S. and Puerto Rico have decreased significantly, which has led to lower volumes and higher losses across the industry, adversely impacting our mortgage business.

The actual rates of delinquencies, foreclosures and losses on loans have been higher during the economic slowdown. Rising unemployment, lower interest rates and declines in housing prices have had a negative effect on the ability of borrowers to repay their mortgage loans. Any sustained period of increased delinquencies, foreclosures or losses could continue to harm our ability to sell loans, the prices we receive for loans, the values of mortgage loans held for sale or residual interests in securitizations, which could continue to harm our financial condition and results of operations. In addition, any additional material decline in real estate values would further weaken the collateral loan-to-value ratios and increase the possibility of loss if a borrower defaults. In such event, we will be subject to the risk of loss on such real estate arising from borrower defaults to the extent not covered by third-party credit enhancement.

Our credit quality may be adversely affected by Puerto Rico's current economic condition.

A significant portion of our financial activities and credit exposure is concentrated in the Commonwealth of Puerto Rico, which has been in a recession since March 2006. After the first six months of fiscal year 2012-2013, the main economic indicators suggest that the Puerto Rico economy remains weak. Except for cement sales, retail sales and revenues from the sales tax, most of the indicators, particularly employment, show that the economy is in a state of low productivity. Until October 2012, the Government Development Bank for Puerto Rico's Economic Activity Index showed a weakness compared to previous months.

The government of the Commonwealth of Puerto Rico has been addressing fiscal deficits, which, in 2009, was estimated at approximately \$3.3 billion or over 30% of its annual budget. The Government has implemented a multi-year budget plan for reducing the deficit, as its access to the municipal bond market and its credit ratings depend, in part, on achieving a balanced budget. Some of the measures implemented by the government include reducing expenses, including public-sector employment through employee layoffs and debt restructurings. Since the government is an important source of employment in Puerto Rico, these measures had a temporary adverse effect on the island's already weak economy. Despite the adverse effects, the government has managed to decrease the fiscal budget deficit which, as of fiscal year 2011-2012, was around \$1 billion and, as of fiscal year 2012-2013, was estimated at \$1.1 billion. The Puerto Rico Labor Department reported an unemployment rate of 13.8% for the month of November 2012, a rate lower than the 14.2% for the month of May 2012, and the 15.5% for September 2011. In addition, the economy of Puerto Rico is very sensitive to the price of oil in the global market. Puerto Rico does not have significant mass transit available to the public and most of its electricity is powered by oil, making it highly sensitive to fluctuations in oil prices. A substantial increase in the price of oil could impact adversely the economy by reducing disposable income and increasing the operating costs of most businesses and government. Consumer spending is particularly sensitive to wide fluctuations in oil prices.

The decline in Puerto Rico's economy since 2006 has resulted in, among other things, a downturn in our loan originations, an increase in the level of our non-performing assets, loan loss provisions and charge-offs, particularly in our construction and commercial loan portfolios, an increase in the rate of foreclosure loss on mortgage loans, and a reduction in the value of our loans and loan servicing portfolio, all of which have adversely affected our profitability. If the decline in economic activity continues, there could be further adverse effects on our profitability.

On June 6, 2012, Standard and Poor's (S&P) revised the general obligation (GO) outlook for the Commonwealth of Puerto Rico, changing it from stable to negative while maintaining the rating of BBB. S&P based the decision on its strong concerns with the continued deterioration of the severely underfunded government retirement systems, weak economic trends and weak finances. On June 26, 2012, S&P revised its outlook on the Government Development Bank for Puerto Rico from stable to negative, while maintaining the

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rating of BBB. According to S&P, the decision was based on the strong ties that the Government Development Bank shares with the Puerto Rico Government and its public corporations, especially as a source of funding; and, since the outlook for Puerto Rico GO was downgraded, the logical progression called for a downgrade of the Government Development Bank's rating.

Moody's announced a downgrade on July 18, 2012 with respect to the Puerto Rico Sales Tax Financing Corporation's (COFINA) outstanding senior sales tax revenues bonds and outstanding subordinate tax revenue bonds, which were downgraded to Aa3 from Aa2 and A3 from A1, respectively. The downgrade responds to Moody's concern regarding the escalating debt service and a lack of adequate sales tax revenue growth, which could ultimately lead to a decrease in coverage.

On December 13, 2012, Moody's downgraded the general obligation rating of the Commonwealth of Puerto Rico to Baa3 from Baa1 with a negative outlook. Moody's based its decision on the fact that economic growth prospects in Puerto Rico remain weak after six years of recession and could be further dampened by Puerto Rico's efforts to control spending and reform its retirement system, debt levels are very high and continue to grow, financial performance has been weak and the lack of a clear timetable for pension reform.

The failure of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by future failures of financial institutions and the actions and commercial soundness of other financial institutions. Financial institutions are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to different industries and counterparties and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, investment companies and other institutional clients. In certain of these transactions, we are required to post collateral to secure the obligations to the counterparties. In the event of a bankruptcy or insolvency proceeding involving one of such counterparties, we may experience delays in recovering the assets posted as collateral, as we have with the investment securities posted as collateral for a Lehman interest rate swap agreement, or we may incur a loss to the extent that the counterparty was holding collateral in excess of the obligation to such counterparty.

In addition, many of these transactions expose us to credit risk in the event of a default by our counterparty or client. In addition, the credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to us. Any losses resulting from our routine funding transactions may materially and adversely affect our financial condition and results of operations.

Legislative and regulatory actions taken now or in the future may increase our costs and impact our business, governance structure, financial condition or results of operations.

We and our subsidiaries are subject to extensive regulation by multiple regulatory bodies. These regulations may affect the manner and terms of delivery of our services. If we do not comply with governmental regulations, we may be subject to fines, penalties, lawsuits or material restrictions on our businesses in the jurisdiction where the violation occurred, which may adversely affect our business operations. Changes in these regulations can significantly affect the services that we are asked to provide as well as our costs of compliance with such regulations. In addition, adverse publicity and damage to our reputation arising from the failure or perceived failure to comply with legal, regulatory or contractual requirements could affect our ability to attract and retain customers.

The financial crisis resulted in government regulatory agencies and political bodies placing increased focus and scrutiny on the financial services industry. The U.S. government intervened on an unprecedented scale, responding by temporarily enhancing the liquidity support available to financial institutions, establishing a commercial paper funding facility, temporarily guaranteeing money market funds and certain types of debt issuances and increasing insurance on bank deposits.

These programs have subjected financial institutions, particularly those participating in Troubled Asset Relief Program (the TARP), to additional restrictions, oversight and costs. In addition, new proposals for

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legislation are periodically introduced in the U.S. Congress that could further substantially increase regulation of the financial services industry, impose restrictions on the operations and general ability of firms within the industry to conduct business consistent with historical practices, including in the areas of interest rates, financial product offerings and disclosures, and have an effect on bankruptcy proceedings with respect to consumer residential real estate mortgages, among other things. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied.

In recent years, regulatory oversight and enforcement have increased substantially, imposing additional costs and increasing the potential risks associated with our operations. If these regulatory trends continue, they could adversely affect our business and, in turn, our consolidated results of operations.

Financial services legislation and regulatory reforms may have a significant impact on our business and results of operations and on our credit ratings.

We face increased regulation and regulatory scrutiny as a result of our participation in the TARP. On July 20, 2010, we issued shares of Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series G (the Series G Preferred Stock), to the Treasury in exchange for the shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series F (Series F Preferred Stock), we sold to the Treasury in 2009, plus accrued and unpaid dividends pursuant to an exchange agreement with the Treasury dated as of July 7, 2010, as amended (Exchange Agreement). We also issued to the Treasury the Warrant, which amends, restates and replaces the original Warrant that we issued to the Treasury in January 2009 under the TARP. On October 7, 2011, we issued 32,941,797 shares of Common Stock to the Treasury upon conversion of all of the Series G Preferred Stock.

The Dodd-Frank Act significantly changed the regulation of financial institutions and the financial services industry. The Dodd-Frank Act includes, and the regulations developed and to be developed thereunder include or will include, provisions affecting large and small financial institutions alike.

The Dodd-Frank Act, among other things, imposes capital requirements on bank holding companies; changes the base for FDIC insurance assessments to a bank's average consolidated total assets minus average tangible equity, rather than upon its deposit base, and permanently raises the current standard deposit insurance limit to \$250,000; and expands the FDIC's authority to raise insurance premiums. The legislation also calls for the FDIC to raise the ratio of reserves to deposits from 1.15% to 1.35% for deposit insurance purposes by September 30, 2020 and to offset the effect of increased assessments on insured depository institutions with assets of less than \$10 billion.

The Dodd-Frank Act also limits interchange fees payable on debit card transactions, established the Consumer Financial Protection Bureau (the CFPB) as an independent entity within the Federal Reserve Board and contains provisions on mortgage-related matters such as steering incentives, determinations as to a borrower's ability to repay and prepayment penalties. The CFPB has broad rulemaking, supervisory and enforcement authority over FirstBank and its affiliates with respect to consumer financial products and services, including deposit products, residential mortgages, home-equity loans and credit cards they offer.

In July 2011, the CFPB advised us and other banks deemed to be large banks under the Dodd-Frank Act as to the agency's approach to supervision and examination, which began on July 21, 2011. The CFPB supervision and examination approach will be guided toward protecting consumers and compliance with federal consumer financial protection laws.

On January 10, 2013, the CFPB issued a final rule which, among other things, sets forth criteria for defining a qualified mortgage for purposes of the Truth in Lending Act, as amended by the Dodd-Frank Act, and outlines certain minimum requirements for mortgage lenders to determine whether a consumer has the ability to repay the mortgage. This rule also affords safe harbor legal protections for lenders making qualified loans that are not higher priced. It is unclear how this rule, or this rule in tandem with an anticipated final rule to be

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issued jointly by other regulators defining qualified residential mortgage and setting credit risk retention standards for loans that are to be packaged and sold as securities, will affect the mortgage lending market by potentially curbing competition, increasing costs or tightening credit availability.

On January 17, 2013, the CFPB issued final regulations containing new mortgage servicing rules that will take effect in January 2014 and be applicable to FirstBank. The announced goal of the CFPB is to bring greater consumer protection to the mortgage servicing market. These changes will affect notices to be given to consumers as to billing and payoff statements, delinquency, foreclosure alternatives, loss mitigation applications, interest rate adjustments and options for avoiding force-placed insurance. Servicers will be prohibited from processing foreclosures when a loan modification is pending, and must wait until a loan is more than 120 days delinquent before initiating a foreclosure action. The servicer must provide delinquent borrowers with direct and ongoing access to personnel, and provide prompt review of any loss mitigation application. Servicers must maintain accurate and accessible mortgage records for the life of a loan and until one year after the loan is paid off or transferred. Servicers will be required to establish servicing policies and procedures designed to achieve the objectives of the rules. These new standards are expected to add to the cost of conducting a mortgage servicing business.

The Dodd-Frank Act also includes provisions that affect corporate governance and executive compensation at all publicly-traded companies and allows financial institutions to pay interest on business checking accounts. The legislation also restricts proprietary trading, places restrictions on the owning or sponsoring of hedge and private equity funds, and regulates the derivatives activities of banks and their affiliates.

The Collins Amendment in the Dodd-Frank Act, among other things, requires the federal banking agencies to establish minimum leverage and risk-based capital requirements that will apply to both insured banks and their holding companies. Regulations implementing the Collins Amendment became effective on July 28, 2011 and set as a floor for the capital requirements of the Corporation and FirstBank a minimum capital requirement computed using the FDIC's general risk-based capital rules. On June 12, 2012, the federal banking agencies issued three notices of proposed rulemaking (NPRs) that would revise current capital rules. Two are applicable to the Bank and Corporation. The first,

Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions and Prompt Corrective Action applies to both the Bank and the Corporation. If adopted, this NPR would increase the quantity and quality of capital required by providing for a new minimum common equity Tier I ratio of 4.5% of risk-weighted assets and a common equity Tier I capital conservation buffer of 2.5% of risk-weighted assets. This first NPR would also revise the definition of capital to improve the ability of regulatory capital instruments to absorb losses and establish limitations on capital distributions and certain discretionary bonus payments if additional specified amounts, or buffers, of common equity Tier I capital are not met, and would introduce a supplementary leverage ratio for internationally active banking organizations. This NPR would also establish a more conservative standard for including an instrument such as trust preferred securities as Tier I capital for bank holding companies with total consolidated assets of \$15 billion or more as of December 31, 2009, setting out a phase-out schedule for such instruments beginning in January 2013. Under the first NPR, the Corporation will phase out its inclusion in Tier 1 Capital of trust preferred securities in the amount of \$225 million beginning with a 25 percent exclusion starting on January 1, 2013, to full exclusion on January 1, 2016 and thereafter.

The second NPR, Regulatory Capital Rules: Standardized Approach for Risk-Weighted Assets; Market Discipline and Disclosure Requirements, would also apply to both the Bank and the Corporation. This NPR would revise and harmonize the bank regulators' rules for calculating risk-weighted assets to enhance risk sensitivity and address weaknesses that have been identified recently. These changes to the risk-weighted assets calculation would be effective from January 1, 2015 and would likely lead to an increase in our risk-weighted assets, which in some cases could be significant. Based on our current interpretation of the proposed Basel III capital rules we anticipate exceeding the minimum capital ratios over the first two years of the phase-in schedules established in the first NPR, while we continue to evaluate the effect of the second NPR and the fully phased-in impact of Basel III proposed capital rules.

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On November 9, 2012, the federal banking agencies announced that none of the three NPRs they issued in June 2012 would become effective on January 1, 2013. The federal banking agencies did not specify new effective dates for the NPRs.

The federal banking agencies also issued on June 12, 2012 the final market risk capital rule that was proposed in 2011. The final rule, effective on January 1, 2013, amends the calculation of market risk to better characterize the risks facing a particular institution and to help ensure the adequacy of capital related to the institution's market risk-related positions. It establishes more explicit eligibility criteria than existing market risk capital rules for positions that receive market risk capital treatment, sets requirements for prudent valuations, robust stress testing and the control, oversight and validation mechanisms for models. It applies to a banking organization with aggregate trading assets and trading liabilities equal to 10% or more of quarter-end total assets, or aggregate trading assets and liabilities equal to \$1 billion or more; therefore, these rules will not be applicable to the Bank and the Corporation, based on our assets at this time.

On June 29, 2011, the Federal Reserve Board approved a final debit card interchange rule that caps a debit card issuer's base fee at 21 cents per transaction and allows an additional 5-basis point charge per transaction to help cover fraud losses. The rule became fully operational on October 1, 2011. The debit card interchange rule reduced our interchange fee revenue in line with industry-wide expectations, beginning with the quarter ended December 31, 2011. The new pricing restriction negatively impacted our fee income by approximately \$2.5 million to \$3.0 million.

The Federal Reserve Board in December 2011 issued an NPR to implement the enhanced prudential standards and early remediation requirements established under the Dodd-Frank Act. The December 2011 proposal would require all bank holding companies and state member banks with more than \$10 billion in total consolidated assets, such as the Corporation, to comply with the requirements to conduct annual company-run stress tests beginning on the effective date of the final rule. On October 9, 2012, the Federal Reserve Board issued a final rule that generally requires bank holding companies with total consolidated assets of between \$10 billion and \$50 billion to comply with annual stress testing requirements beginning in September 2013.

On January 17, 2012, the FDIC proposed a new regulation that would require state non-member banks with total consolidated assets of more than \$10 billion, such as FirstBank, to conduct annual company-run stress tests. The proposed regulation, required by the Dodd-Frank Act, would require FirstBank to provide the FDIC with forward-looking information to assist the FDIC in its overall assessment of its capital adequacy, helping to better identify potential downside risks and the potential impact of adverse outcomes on its financial stability. On October 9, 2012, the FDIC issued a final rule that generally requires state non-member banks with total consolidated assets of between \$10 billion and \$50 billion to comply with annual stress testing requirements beginning in September 2013.

In May 2012, the federal banking agencies issued final supervisory guidance for stress testing practices applicable to banking organizations with more than \$10 billion in total consolidated assets, such as FirstBank and the Corporation, which became effective on July 23, 2012. This guidance outlines general principles for a satisfactory stress testing framework and describes various stress testing approaches and how stress testing should be used at various levels within an organization. The guidance does not implement the aforementioned stress testing requirements in the Dodd-Frank Act or in the Federal Reserve Board's capital plan rule that apply to certain companies, as those requirements have been or are being implemented through separate rulemaking by the respective agencies.

These provisions, or any other aspects of current or proposed regulatory or legislative changes to laws applicable to the financial services industry, may impact the profitability of our business activities or change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads, and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations in order to comply and could, therefore, also materially and adversely

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affect our business, financial condition, and results of operations. Many provisions of the Dodd-Frank Act are to be phased in over a period of time. The ultimate effect of the Dodd-Frank Act on the financial services industry in general, and us in particular, may be adverse.

The U.S. Congress has also adopted additional consumer protection laws such as the Credit Card Accountability Responsibility and Disclosure Act of 2009, and the Federal Reserve Board has adopted numerous new regulations addressing banks' credit card, overdraft and mortgage lending practices. Additional consumer protection legislation and regulatory activity is anticipated in the near future.

Internationally, both the Basel Committee on Banking Supervision and the Financial Stability Board (established in April 2009 by the Group of Twenty Finance Ministers and Central Bank Governors to take action to strengthen regulation and supervision of the financial system with greater international consistency, cooperation and transparency) have committed to raise capital standards and liquidity buffers within the banking system (Basel III). On September 12, 2010, the Group of Governors and Heads of Supervision agreed to the calibration and phase-in of the Basel III minimum capital requirements (raising the minimum Tier 1 common equity ratio to 4.5% and minimum Tier 1 equity ratio to 6.0%, with full implementation by January 2015) and introducing a capital conservation buffer of common equity of an additional 2.5% with implementation by January 2019. U.S. regulators proposed regulations for implementing Basel III on June 12, 2012 (see discussion above).

On September 28, 2011, the Basel Committee announced plans to consider adjustments to the final liquidity charge to be imposed under Basel III, which liquidity charge would take effect on January 1, 2015. The liquidity coverage ratio being considered would require banks to maintain an adequate level of unencumbered high-quality liquid assets sufficient to meet liquidity needs for a 30 calendar-day liquidity stress period. On January 6, 2013, the Basel Committee announced that its liquidity coverage ratio would be phased-in annually beginning on January 1, 2015, when the minimum liquidity coverage ratio requirement would be set at 60%, then increasing an additional 10% annually until fully implemented on January 1, 2019. The Basel Committee also announced that a broader pool of assets would count as high-quality liquid assets, the numerator of the liquidity coverage ratio.

Such proposals and legislation, if finally adopted, would change banking laws and our operating environment and that of our subsidiaries in substantial and unpredictable ways. The ultimate effect that such proposals and legislation, if enacted, or regulations issued to implement the same, would have upon our financial condition or results of operations may be adverse.

Monetary policies and regulations of the Federal Reserve Board could adversely affect our business, financial condition and results of operations.

In addition to being affected by general economic conditions, our earnings and growth are affected by the policies of the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the money supply and credit conditions. Among the instruments used by the Federal Reserve Board to implement these objectives are open market operations in U.S. government securities, adjustments of the discount rate and changes in reserve requirements against bank deposits. These instruments are used in varying combinations to influence overall economic growth and the distribution of credit, bank loans, investments and deposits. Their use also affects interest rates charged on loans or paid on deposits.

The monetary policies and regulations of the Federal Reserve Board have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. The effects of such policies upon our business, financial condition and results of operations may be adverse.

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RISKS RELATING TO AN INVESTMENT IN THE CORPORATION S COMMON AND PREFERRED STOCK

Sales in the public market under an outstanding resale registration statement filed with the SEC by the small group of large stockholders that hold in the aggregate approximately 65.65% of our outstanding shares could adversely affect the trading price of our Common Stock and dilute existing holders of Preferred Stock that participate in the Exchange Offer.

The following stockholders individually own more than 10% of our outstanding shares of Common Stock, or an aggregate of approximately 65.65% of our outstanding shares of Common Stock: funds affiliated with THL, which own approximately 24.58%; funds managed by Oaktree, which own approximately 24.58%; and Treasury, which owns approximately 16.49%, including the shares of Common Stock issuable upon exercise of a warrant. We are obligated to keep the prospectus, which is part of the resale registration statement, current so that the securities can be sold in the public market at any time. The resale of the securities in the public market, or the perception that these sales might occur, could cause the market price of our Common Stock to decline and dilute existing holders of Preferred Stock that participate in the Exchange Offer.

Issuance of additional equity securities in the public market and other capital management or business strategies that we may pursue could depress the market price of our Common Stock and could result in dilution of holders of our Common Stock and Preferred Stock, including holders of Preferred Stock that participate in the Exchange Offer.

Generally, we are not restricted from issuing additional equity securities, including Common Stock. We may choose or be required in the future to identify, consider and pursue additional capital management strategies to bolster our capital position. We may issue equity securities (including convertible securities, preferred securities, and options and warrants on our Common Stock or preferred securities) in the future for a number of reasons, including to finance our operations and business strategy, to adjust our leverage ratio, to address regulatory capital concerns, to restructure currently outstanding debt or equity securities or to satisfy our obligations upon the exercise of outstanding options or warrants. Future issuances of our equity securities, including Common Stock, in any transaction that we may pursue may dilute the interests of our existing holders of our Common Stock and Preferred Stock and cause the market price of our Common Stock to decline.

The participants in the Exchange Offer may also experience additional dilution upon the exercise by the Treasury of its warrant. The Corporation has outstanding a warrant held by the Treasury to purchase 1,285,899 shares of Common Stock. If the warrant is exercised, the issuance of shares of Common Stock would reduce our income per share, and further reduce the book value per share and voting power of the participants in the Exchange Offer.

Additionally, THL, Oaktree and Wellington have anti-dilution rights, which they acquired when they purchased shares of Common Stock in the capital raise, that will be triggered, subject to certain exceptions, if we issue additional Common Stock, including if the Corporation issues more than 8 million shares of Common Stock in the Exchange Offer. In such a case, THL, Oaktree and Wellington will have the right to acquire the amount of shares of Common Stock (at the same price offered in the Exchange Offer) that will enable them to maintain their percentage ownership interest in the Corporation.

The market price of our Common Stock may continue to be subject to significant fluctuations and volatility.

The stock markets have experienced high levels of volatility during the last few years. These market fluctuations have adversely affected, and may continue to adversely affect, the trading price of our Common Stock. In addition, the market price of our Common Stock has been subject to significant fluctuations and volatility because of factors specifically related to our businesses and may continue to fluctuate or decline.

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Factors that could cause fluctuations, volatility or a decline in the market price of our Common Stock, many of which could be beyond our control, include the following, in addition to the sale of the Shares in this offering:

our ability to comply with the Regulatory Agreements;

any additional regulatory actions against us;

changes or perceived changes in the condition, operations, results or prospects of our businesses and market assessments of these changes or perceived changes;

announcements of strategic developments, acquisitions and other material events by us or our competitors, including any failures of banks;

changes in governmental regulations or proposals, or new governmental regulations or proposals, affecting us, including those relating to the financial crisis and global economic downturn and those that may be specifically directed to us;

a continuing recession in the Puerto Rico market and a lack of growth in our other principal markets in the Virgin Islands and the United States;

the departure of key employees;

changes in the credit, mortgage and real estate markets;

operating results that vary from the expectations of management, securities analysts and investors;

operating and stock price performance of companies that investors deem comparable to us; and

the public perception of the banking industry and its safety and soundness.

In addition, the stock market in general, and the NYSE and the market for commercial banks and other financial services companies in particular, have experienced significant price and volume fluctuations that sometimes have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our Common Stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs, potential liabilities and the diversion of management's attention and resources.

Our suspension of dividends may have adversely affected and may further adversely affect our stock price and could result in the expansion of our Board of Directors.

In March 2009, the Federal Reserve Board issued a supervisory guidance letter intended to provide direction to bank holding companies (BHCs) on the declaration and payment of dividends, capital redemptions and capital repurchases by BHCs in the context of their capital planning process. The letter reiterates the long-standing Federal Reserve Board supervisory policies and guidance to the effect that BHCs should only pay

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dividends from current earnings. More specifically, the letter heightens expectations that BHCs will inform and consult with the Federal Reserve Board supervisory staff on the declaration and payment of dividends that exceed earnings for the period for which a dividend is being paid. In consideration of the financial results reported for the second quarter ended June 30, 2009, we decided, as a matter of prudent fiscal management and following the Federal Reserve Board guidance, to suspend the payment of dividends. Furthermore, our FED Agreement with the Federal Reserve Board precludes us from declaring any dividends without the prior approval of the Federal Reserve. We cannot anticipate if and when the payment of dividends might be reinstated.

This suspension may have adversely affected and may continue to adversely affect our stock price. Further, because dividends on our Preferred Stock have not been paid since we suspended dividend payments in August 2009, the holders of Preferred Stock have the right to appoint two additional members to our Board of Directors. Any member of the Board of Directors appointed by the holders of Preferred Stock is required to vacate his or her office if the Corporation returns to payment of dividends in full for twelve consecutive monthly dividend

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periods. If the certificates of designation for the Preferred Stock are amended to remove the right to appoint members of the Board of Directors, the removal of this right may adversely affect the stock price of the Preferred Stock given that this right is a typical right of holders of preferred stock.

RISKS RELATING TO THE RIGHTS OF HOLDERS OF OUR COMMON STOCK COMPARED TO THE RIGHTS OF HOLDERS OF OUR DEBT OBLIGATIONS AND SHARES OF PREFERRED STOCK

The holders of our debt obligations, which, as of September 30, 2012, were in the aggregate amount of approximately \$231.9 million, and the holders of any shares of Preferred Stock remaining if we complete the Exchange Offer will have priority over our Common Stock with respect to payment in the event of liquidation, dissolution or winding up and with respect to the payment of dividends.

In any liquidation, dissolution or winding up of First BanCorp, our Common Stock would rank below all debt claims against us and claims of any outstanding shares of Preferred Stock remaining if we complete the Exchange Offer. Currently, outstanding shares of Preferred Stock have a liquidation preference of approximately \$63 million. Holders of our Common Stock will not be entitled to receive any payment or other distribution of assets upon the liquidation, dissolution or winding up of First BanCorp until after all our obligations to our debt holders have been satisfied and holders of any outstanding Preferred Stock and trust preferred securities have received any payment or distribution due to them. As a result, holders of our Common Stock could lose all or a part of their investment.

In addition, we are required to pay dividends on any remaining Preferred Stock before we pay any dividends on our Common Stock. Holders of our Common Stock will not be entitled to receive payment of any dividends on their shares of our Common Stock unless and until we obtain the Federal Reserve's approval to resume payments of dividends on Preferred Stock and on Common Stock. We may not obtain such approval.

Future offerings of preferred securities, which would likely be senior to our Common Stock for purposes of dividend distributions or upon liquidation, may adversely affect the market price of our Common Stock.

If the Regulatory Agreements are terminated and we resume the payment of dividends on our outstanding Preferred Stock, our Board of Directors will again be authorized to issue one or more classes or series of preferred securities from time to time without any action on the part of the stockholders. Our Board of Directors would have the power, without stockholder approval, to set the terms of any such classes or series of preferred securities that may be issued, including voting rights, dividend rights and preferences over our Common Stock with respect to dividends or upon our dissolution, winding up and liquidation and other terms. If we issue shares of preferred securities in the future that have a preference over our Common Stock with respect to the payment of dividends or upon liquidation, or if we issue shares of preferred securities with voting rights that dilute the voting power of our Common Stock, the rights of holders of our Common Stock will be adversely affected and the market price of our Common Stock could be adversely affected.

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The following data summarizes our consolidated financial information as of and for each of the five years ended December 31, 2011 and the interim periods ended September 30, 2012 and 2011. You should read the following financial data in conjunction with the information set forth under Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the related notes thereto included in our Annual Reports on Form 10-K for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 and our Quarterly Reports on Form 10-Q for the quarters ended September 30, 2012 and 2011 from which this information is derived. For more information, see Incorporation of Certain Documents By Reference.

(in thousands, except per share data)	Nine Months Ended September 30,		Year Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
Condensed Income Statements:							
Total interest income	\$ 472,723	502,863	\$ 659,615	\$ 832,686	\$ 996,574	\$ 1,126,897	\$ 1,189,247
Net interest income	336,074	294,969	393,512	461,675	519,042	527,881	451,016
Non-interest income	37,623	93,311	107,981	117,903	142,264	74,643	67,156
Non-interest expenses	263,978	252,228	338,054	366,158	352,101	333,371	307,843
Net income (loss)	15,247	(67,390)	(82,232)	(524,308)	(275,187)	109,937	68,136
Net income (loss) attributable to common stockholders diluted	15,247	(88,785)	195,763	(122,045)	(322,075)	69,661	27,860
Per Common Share Results:							
Net income (loss) per common share basic	\$ 0.07	(4.17)	\$ 2.69	\$ (10.79)	\$ (52.22)	\$ 11.30	\$ 4.83
Net income (loss) per common share diluted	0.07	(4.17)	2.18	(10.79)	(52.22)	11.28	4.81
Cash dividends declared					2.10	4.20	4.20
Book value per common share	6.89	26.12	6.73	29.71	108.70	161.76	141.32
Ratio of Earnings to Fixed Charges (excluding interest on deposits)	1.14	(A)	(A)	(A)	(A)	1.13	1.12
Balance Sheet Data:							
Cash and due from banks	\$ 786,788	612,721	\$ 206,897	\$ 254,723	\$ 679,798	\$ 329,730	\$ 195,809
Money market and investment securities	1,854,435	2,092,293	2,200,888	3,369,332	4,866,617	5,709,154	4,811,413
Total loans, net	9,810,982	10,127,060	10,081,299	11,403,177	13,421,106	12,806,766	11,609,578
Total assets	13,139,747	13,475,572	13,127,275	15,593,077	19,628,448	19,491,268	17,186,931
Total deposits	9,896,402	10,657,311	9,907,754	12,059,110	12,669,047	13,057,430	11,034,521
Borrowings	1,650,399	1,662,513	1,622,741	2,311,848	5,214,147	4,736,670	4,460,006
Preferred stock of Treasury	0	367,451	0	361,962	378,492	0	0
Preferred Stock	63,047	63,047	63,047	63,047	550,016	550,100	550,100

(A) For the nine months ended September 30, 2011 and the years ended December 31, 2011, 2010, and 2009, the ratio coverage was less than 1:1.

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The following table sets forth our capitalization as of September 30, 2012 and as adjusted to give effect to the Exchange Offer.

(in thousands)	As reported	As of September 30, 2012	
		As adjusted	
		Low Participation (1)	High Participation (2)
Long term borrowings	\$ 231,959	\$ 231,959	\$ 231,959
Stockholders' equity			
Preferred stock, \$1.00 par value, authorized 50,000,000 shares; shares issued 22,828,174; shares outstanding 2,521,872; aggregate liquidation value \$63,047			
450,195 shares of Series A Preferred Stock outstanding	11,255	3,752	
475,987 shares of Series B Preferred Stock outstanding	11,900	3,967	
460,611 shares of Series C Preferred Stock outstanding	11,515	3,838	
510,592 shares of Series D Preferred Stock outstanding	12,765	4,255	
624,487 shares of Series E Preferred Stock outstanding	15,612	5,204	
Common stock, \$0.10 par value, authorized 2,000,000,000 shares; issued 206,674,221	20,667	21,339	21,676
Treasury stock (at par value)	(49)	(49)	(49)
Additional paid-in capital	885,329	922,879	941,654
Retained earnings	472,631	476,440	478,344
Accumulated other comprehensive income-unrealized gain on securities available for sale net of tax	42,492		