

FIRST BANCORP /PR/
Form 11-K
July 14, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 11-K

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

For the fiscal year ended December 31, 2005

Or

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

For the transition period from _____ to _____

Commission file number 001-14793

FIRSTBANK 401 (K) RETIREMENT PLAN FOR RESIDENTS OF PUERTO RICO
(Full title of the Plan and address of the Plan, if different from that of the issuer named below)

FIRST BANCORP.

1519 Ponce de León Avenue, Stop 23

Santurce, Puerto Rico 00908-0146

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

**FirstBank 401(k) Retirement Plan
for Residents of Puerto Rico
Financial Statements and Supplemental Schedule
December 31, 2005 and 2004**

**FirstBank 401(k) Retirement Plan for Residents of Puerto Rico
Financial Statements and Supplemental Schedules
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Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.	

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of
FirstBank 401(k) Retirement Plan for Residents of Puerto Rico

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of FirstBank 401(k) Retirement Plan for Residents of Puerto Rico (the Plan) at December 31, 2005 and 2004, and the changes in net assets available for benefits for the year ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) as of December 31, 2005 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers, LLP

San Juan, Puerto Rico

June 28, 2006

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico
Statements of Net Assets Available for Benefits
December 31, 2005 and 2004

	2005	2004
Assets		
Investments, at fair value		
Investments in mutual funds	\$ 14,232,975	\$ 13,030,564
Investment in First BanCorp. common stock	2,284,731	4,852,037
Participant loans receivable	1,081,195	906,188
 Total investments	 17,598,901	 18,788,789
 Receivables		
Employer contribution	647,251	634,347
Employee contribution		8,000
Other receivables, principally interest and dividends	11,610	
Due from brokers for security sold	225,793	
 Total receivables	 884,654	 642,347
 Cash	 168,328	 176,411
 Total assets	 18,651,883	 19,607,547
 Liabilities and Net Assets Available for Benefits		
Due to brokers for securities purchased	161,955	
 Net assets available for benefits	 \$ 18,489,928	 \$ 19,607,547

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

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico
Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2005

	2005
Additions	
Investment income (loss)	
Net depreciation in fair value of investments	\$ (2,371,960)
Interest income on loans to participants	67,526
Dividends	521,364
	(1,783,070)
Contributions	
Employer	844,426
Participants	1,061,580
Rollovers from other qualified plans	143,509
	2,049,415
Total additions	266,345
Deductions	
Benefits paid to participants	(1,383,964)
Total deductions	(1,383,964)
Net decrease in net assets available for benefits	(1,117,619)
Net assets available for benefits	
Beginning of year	19,607,547
End of year	\$ 18,489,928

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

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico
Notes to Financial Statements
December 31, 2005 and 2004

1. Description of the Plan

Reporting Entity

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

General

The Plan is a defined contribution plan, which became effective in 1965, and was amended in 1977, to comply with the requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and as of January 1, 1985, to comply with the requirements of the Retirement Equity Act of 1984 (REACT). Accordingly, the plan is subject to the provisions of ERISA. Effective September 1, 1991, the Plan was further amended to become a savings plan under the provisions of the Puerto Rico Internal Revenue Code Section 1165(e).

Eligibility

All full-time employees of the Bank and its wholly owned Puerto Rico subsidiaries are eligible to participate in the Plan after completion of one year of service.

Contributions

Participants are permitted to contribute up to 10% of their pretax annual compensation, as defined in the Plan, and up to an additional 8% on an after-tax basis. During the plan year, pre-tax contributions were limited to a maximum of \$8,000 per year. The Bank is required to make a matching contribution of twenty-five cents for every dollar on the first 4% of the participants' compensation that a participant contributes to the Plan on a pre-tax basis. In addition, the Bank may voluntarily make additional discretionary contributions to the Plan at the end of the year to be distributed among the participants' accounts as established in the Plan. Investment of participants' and employer's contributions are directed by participants into various investment options, which include several mutual funds and the common stock of First BanCorp., the Bank's parent company. The Plan allows for rollover contribution from other qualified plans. Contributions are subject to certain limitations.

Participant Accounts

Each participant's account is credited with the participant's contributions and allocations of (a) the Bank's contributions and (b) Plan investment earnings, and charged with an allocation of investment management expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

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

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico
Notes to Financial Statements
December 31, 2005 and 2004

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

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

Loans to Participants

Under the terms of the Plan, participants are allowed to borrow from their accounts up to 50% of their vested account balance or \$50,000 whichever is less. Loan transactions are treated as a transfer to (from) the investment funds from (to) the Participants Loan Fund. Loans are collateralized by the balance in the participants' accounts and bear interest at the rate determined by the Plan administrator at the time of the loan. At December 31, 2005 and 2004 the interest rates of these loans range from 6% to 9% and are due at various dates through May 12, 2014. Principal and interest is paid ratably through biweekly payroll deductions.

Payment of Benefits

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

Benefits are paid in a lump-sum cash payment. If the value of the vested account is more than \$5,000, the participant may elect to defer any benefit payable under the Plan until a specified future date. If benefit payments are to be deferred, the Plan will earmark the balance as part of its assets in a special account or a deposit certificate with the funds of the former member. Interest earned on such special account is paid to the participant. Such special accounts or certificates do not participate in the allocation of the Bank's contributions or earnings of the Plan's investments. There were no deferred vested benefits at December 31, 2005 and 2004.

Plan Expenses and Administration

Bank and participant contributions were held by AST Trust Company until April 1, 2005 and Charles Schwab thereafter as custodians and managed by Milliman USA, Inc. as plan recordkeeper, both appointed by the Board of Directors of the Bank. The custodian invests cash received, interest and dividend income and makes distributions to participants.

Administrative expenses for the custodian's and recordkeeper's fees are paid by the Bank unless there are forfeitures available to offset such expenses.

Forfeitures

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

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico
Notes to Financial Statements
December 31, 2005 and 2004

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared under the accrual basis of accounting.

Use of Estimates

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

Contributions

Employee contributions are recorded in the period in which the Bank makes payroll deductions from the participants' compensation. Matching employer's contributions are recorded in the same period. Discretionary contributions are recorded in the period in which they are approved.

Investments Valuation and Income Recognition

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

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

Participant Loans

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

Payment of Benefits

Benefits are recorded when paid.

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico
Notes to Financial Statements
December 31, 2005 and 2004

3. Investments

The following presents the Plan's investments:

	2005		2004	
	Value	# of shares	Value	# of shares
Ameristock Mutual Fund*	\$ 1,567,713	40,709	\$ 1,573,624	38,817
Ariel Fund	386,069	7,711	304,080	5,719
Dodge & Cox Balanced*	1,534,410	18,864	1,396,977	17,605
First BanCorp. common stock*	2,284,731	184,104	4,852,037	76,398
Fmi Focus*	1,321,702	40,668	1,205,379	34,687
GE Premier Growth Equity A	166,211	6,174	127,319	4,683
Harbor Bond Mutual Fund	556,222	47,868	528,384	44,665
Harbor International Institutional Fund*	1,602,328	32,488	1,218,451	28,535
Participant Loans receivable	1,081,195		906,188	
Schwab Money Fund*	3,711,152	3,711,152		
Vanguard S&P Indexed Fund*	3,387,168	29,474	3,192,545	28,597
Vanguard Money Market*			3,483,805	3,483,805
	\$ 17,598,901		\$ 18,788,789	

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

During 2005, the Plan's investments (including gains and losses on investments bought and sold) appreciated (depreciated) in value as follows:

Mutual funds	\$ 415,750
Common stock - First BanCorp.	(2,787,710)
	\$ (2,371,960)

4. Related Party-In Interest Transactions

Certain plan investments are shares of a mutual fund managed by The Charles Schwab Trust Company, which is also a provider of custodial services as defined by the Plan since April 1, 2005. In addition, at December 31, 2005 and 2004, the Plan held 184,104 and 76,398 units, with a quoted market value of \$2,284,731 and \$4,852,037, respectively, of common stock of First BanCorp., the Financial Holding Company of the sponsoring employer. These transactions qualify as party-in-interest transactions permitted under provisions of the Employee Retirement Income Security Act (ERISA).

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico
Notes to Financial Statements
December 31, 2005 and 2004

5. Tax Status

The Puerto Rico Department of Treasury has determined and informed the Bank under letter dated November 10, 2004 that the Plan is designed in accordance with the applicable sections of the Internal Revenue Code of the Commonwealth of Puerto Rico and, therefore, exempt from income taxes. The Plan has not been amended since receiving the determination letter.

6. Plan Termination

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

7. Forfeited Amount

Forfeited nonvested accounts amounted to \$5,156 at December 31, 2005 (2004 \$200). These accounts are transferred by the Plan administrator to an unallocated account to be used to cover administrative expenses of the Plan or reduce the Bank's future contributions. No forfeitures were used to cover administrative expenses of the Plan or to reduce the Bank's contributions in 2005.

8. Risks and Uncertainties

The Plan's investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in these factors in the near term would materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits.

9. Additional Contributions

The Board of Directors of the Bank approved in 2006 an additional contribution of \$488,284 based on the Bank's 2005 results. In addition, a result of the Plan's non-compliance with its non-discrimination test, the Bank agreed to contribute \$158,967 to non-highly compensated participants to satisfy contribution requirements. Both additional contributions have been recorded as an employer contribution receivable at December 31, 2005 and on contribution from employer in the accompanying financial statements.

* * * * *

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico
Schedule H, Line 4i-Schedule of Assets (Held at End of Year)
December 31, 2005

Exhibit I

(a)	(b) Identity of issue, borrower lessor or similar party	(c) Description of Investment including maturity date, rate of interest, par value	(d) Cost	(e) Current value
	Ameristock Mutual Fund	Mutual Fund, 40,709 shares	**	\$ 1,567,713
	Ariel Fund	Mutual Fund, 7,711 shares	**	386,069
*	First BanCorp. Common Stock	Common stock, 184,104 shares	**	2,284,731
	Dodge & Cox Balanced	Mutual Fund, 18,864 shares	**	1,534,410
	Fmi Focus	Mutual Fund, 40,668 shares	**	1,321,702
	GE Premier Growth Equity A	Mutual Fund, 6,174 shares	**	166,211
	Harbor Bond Fund	Mutual Fund, 47,868 shares	**	556,222
	Harbor International Institutional Fund	Mutual Fund, 32,488 shares	**	1,602,328
*	Schwab Money Fund	Mutual Fund, 3,711,152 shares	**	3,711,152
	Vanguard S&P Indexed Fund	Mutual Fund, 29,474 shares	**	3,387,168
*	Participant loans receivable	Interest rate ranging from 6% to 9%, maturity dates of 3/4/2006 to 5/12/2014	**	1,081,195
				\$ 17,598,901
*	Party in-interest			
**	Historical cost is not required for participant directed investment.			

SIGNATURE

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

FIRST BANCORP.

Dated: 7/14/2006

By: /s/ Luis M. Cabrera
Authorized Representative

Dated: 7/14/2006

By: /s/ Aida M. García
Authorized Representative