

# **FIRST BANCORP**

## **AUDIT COMMITTEE CHARTER**

### **I. Purpose**

The Audit Committee is appointed by the Board of Directors (the “Board”) to assist in monitoring (1) the integrity of the financial statements of the Corporation, (2) the compliance by the Corporation with legal and regulatory requirements, (3) the objectivity and performance of the Corporation’s internal and external auditors, and (4) the independent auditor’s qualifications and independence.

### **II. Composition**

The Audit Committee shall be composed of a minimum of three Directors, as determined by the Board. The members of the Audit Committee shall meet the requirements of the Corporation’s Independence Principles for Directors and the independence and experience requirements of the Securities and Exchange Commission (the “Commission”) and the New York Stock Exchange. At least one member of the Audit Committee shall be a financial expert as defined by the Commission. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies. The members of the Audit Committee shall be appointed by the full Board. The qualifications and independence of the Audit Committee members shall be evaluated annually by the Board.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee. The Audit Committee may request any officer or employee of the Corporation or the Corporation’s outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

### **III. Responsibilities**

The Audit Committee shall:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Review and discuss with management and the independent auditor significant financial reporting issues and judgment made in connection with the preparation of the Corporation’s financial statements, including any significant changes in the Corporation’s selection or application of accounting principles, any significant deficiencies as to the adequacy of the Corporation’s internal controls and any special steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting.
3. Meet to review and discuss with management and the independent auditor the annual audited financial statements and quarterly financial statements, including disclosures made in management’s discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Corporation’s Form 10-K.
4. Review and discuss with management (including senior internal audit executive) and the independent auditor the Corporation’s internal controls report and the independent auditor’s attestation of the report prior to the filing of the Corporation’s Form 10-K.
5. Review and discuss with management and the independent auditor the Corporation’s quarterly financial statements prior to the filing of the Form 10-Q, including the results of the independent auditor’s review of the quarterly financial statements.
6. Discuss with management and the independent auditor the Corporation’s, as appropriate, earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

7. Review disclosures made to the Audit Committee by the Corporation's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls.
8. Meet periodically with management to review the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
9. Recommend to the Board the appointment of the independent auditor, which firm is ultimately accountable to the Audit Committee and the Board. The Audit Committee shall have the sole authority and responsibility to select, evaluate and if necessary replace the independent auditor. The Audit Committee shall pre-approve all audit engagement and all permitted non-audit services (including fees and terms thereof) to be performed for the Corporation by its independent auditor.
10. Obtain and review a report from the independent auditor at least annually regarding:
  - (a) The independent auditor's internal quality-control procedures.
  - (b) Any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
  - (c) All relationships between the independent auditor and the Corporation.
11. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management and internal auditors. The Audit Committee should present its conclusions with respect to the independent auditor to the Board.
12. Ensure the rotation of the audit partners as required by law.
13. Review and discuss quarterly reports from the independent auditors on:
  - (a) All critical accounting policies and practices to be used.
  - (b) All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
  - (c) The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation.
  - (d) Other material written communication between the independent auditor and management, such as any management letter issued, or proposed to be issued, by the audit firm and the Corporation's response to that letter.
  - (e) Any schedule of unadjusted differences.
14. Meet with the independent auditor prior to the audit to review the planning and staffing of the audit.
15. Obtain from the independent auditor assurance that Section 10A(b) of the Security and Exchange Act of 1934 has not been implicated.
16. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.
17. Review with the independent auditor any problems or difficulties they may have encountered. Such review should include:
  - (a) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
  - (b) Any changes required in the planned scope of the internal audit.
  - (c) Any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement team.
  - (d) Review the internal audit department responsibilities, budget and staffing.
18. Recommend to the Board the appointment and replacement of the senior internal auditing executive.

19. Review the significant reports to management prepared by the internal auditing department and management's responses.
20. Prepare the report required by the rules of the Commission to be included in the Corporation's annual proxy statement.
21. Obtain reports from management, the Corporation's senior internal auditing executive and the independent auditor that the Corporation's subsidiary and foreign affiliates, if any, are in conformity with applicable legal requirements and the Corporation's Code of Conduct. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations and with the Corporation's Code of Conduct.
22. Review with the Corporation's General Counsel legal matters that may have a material impact on the financial statements or the Corporation's compliance policies and internal controls.
23. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
24. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
25. Recommend to the Board policies for the Corporation's hiring of employees or former employees of the independent auditor.
26. Meet periodically with the chief financial officer, the senior internal auditing executive and the independent auditor in separate executive sessions, and have such other direct and independent interaction with such persons from time to time as the members of the Audit Committee deem appropriate.
27. The Audit Committee shall meet as often as it determines, but not less frequently than quarterly.
28. The Audit Committee shall make regular reports to the Board.
29. The Audit Committee shall conduct and present to the Board an annual performance evaluation of the Committee.

#### Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These are the responsibilities of management and the independent auditor.