



## FirstBank Puerto Rico Audit Committee Charter

This Audit Committee Charter was adopted by the Board of Directors (the “Board”) of FirstBank Puerto Rico (the “Bank”), subsidiary of First BanCorp (the “Corporation”) on February 9, 2022.

*This Charter is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of the Bank. While it should be interpreted in the context of all applicable laws and regulations, as well as in the context of the Bank’s Certificate of Incorporation and Bylaws, it is not intended to establish by its own force any legally binding obligations.*

### I. PURPOSES

The Audit Committee (the “Committee”) shall assist the Board in fulfilling its responsibility to oversee management regarding:

- (i) the conduct and integrity of the Bank’s financial reporting to any governmental or regulatory body, shareholders, other users of Bank financial reports and the public;
- (ii) the performance of the Bank’s internal audit function.
- (iii) the Bank’s system of internal control over financial reporting and disclosure controls and procedures;
- (iv) the qualifications, engagement, compensation, independence and performance of the Bank’s independent auditors, their conduct of the annual audit of the Bank’s financial statements, and their engagement to provide any other services;
- (v) the Bank’s legal and ethical compliance;
- (vi) the application of the Corporation’s related person transaction policy; and
- (vii) the application of the Bank’s codes of business conduct and ethics as established by management and the Board.

In discharging its role, the Committee is empowered to inquire into any matter it considers appropriate to carry out its responsibilities, with access to all books, records, facilities and personnel of the Bank and if necessary, conduct and oversee special investigation(s) and as appropriate hire special counsel or experts to assist in such investigation(s). In addition to retaining the Bank’s independent auditor, the Committee has the power to retain outside counsel, other auditors or other advisors to assist it in carrying out its activities. The Bank shall provide adequate resources to support the Committee’s activities, including compensation of the Bank’s independent auditor and any counsel, other auditors and other advisors retained by the Committee. The Committee shall have the sole authority to retain, compensate, direct, oversee and terminate the Bank’s independent auditor and any counsel, other auditors and other advisors hired to assist the Committee, who shall be accountable ultimately to the Committee. The Corporation shall provide appropriate funding for the Committee to retain any such advisors without requiring the Committee to seek Board approval.



## **II. COMMITTEE MEMBERSHIP AND INDEPENDENCE**

The Committee shall consist of three or more members of the Board, each of whom the Board has selected and determined to be “outside directors” and “independent” from management for purposes of audit committee composition in accordance with Section 36 of the Federal Deposit Insurance Act (Section 36) and 12 CFR Part 363, Annual Independent Audits and Reporting Requirements, Section 5 Audit Committees (Part 363.5). At least two members of the Committee shall have “banking or related financial management expertise” as required by Section 36(g)(1)(C)(i). The Committee shall not include members who are large customers of the institution.

A member of the Audit Committee shall not, other than in his or her capacity as a director, committee member, committee chair or non-executive Chairman of the Board, accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries.

The members of the Committee shall be nominated by the Corporate Governance and Nominating Committee and appointed by the Board, and shall serve for such term as the Board determines or until their successors are elected or appointed or until their death, resignation or removal. Committee members may be replaced by a majority vote of the Board. The Corporate Governance and Nominating Committee of the Corporation will recommend, and the Board will designate, one member of the Committee to serve as the Chairman of the Committee.

## **III. COMMITTEE MEETINGS**

The Committee shall meet as often as it may deem necessary and appropriate to carry out its roles and responsibilities, but in no event less than SIX (6) times per year. The Committee shall meet at least quarterly with the General Auditor and the independent auditor in separate executive sessions to provide the opportunity for full and frank discussion without members of senior management present. Meetings may be called out by the Chairman of the Committee or the Chairman of the Board. All meetings of and other actions by the Committee shall be held or otherwise taken pursuant to the Bank’s bylaws, including bylaw provisions governing notices of meetings, waivers thereof, the number of Committee members required to take action at meetings or by written consent, and other related matters.

The Chairman of the Committee shall be responsible for scheduling all meetings of the Committee and, together with other members of the Committee and senior management as appropriate, developing a written agenda for each meeting. The Chairman shall preside at the meetings of the Committee. In the absence of the Chairman, the majority of the members of the Committee present at a meeting shall appoint a member to preside at the meeting. The Committee may from time to time delegate to its Chair or form and delegate to subcommittees certain powers or responsibilities that the Committee itself may have hereunder, but such delegation shall not be permitted if the authority is required by law, regulation, or listing standard to be exercised by the Committee as a whole.

The Committee shall keep written minutes of meetings, which shall be maintained in the books and records of the Bank.

The Committee may request that any director, officer, or employee of the Bank, or other persons whose advice and counsel are or have been sought by the Committee or the Bank, attend any meeting to provide such information as the Committee requests.



#### IV. DUTIES AND RESPONSIBILITIES

The Committee's role is one of oversight. 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 Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor. The Committee recognizes that Bank's management including the internal audit staff and the independent auditors have more knowledge and detailed information about the Bank than do Committee members.

The following responsibilities are set forth as a guide to fulfilling the Committee's purposes, with the understanding that the Committee's activities may diverge as appropriate given the circumstances. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time. The Committee may delegate authority to one or more members of the Committee where appropriate, but no such delegation shall be permitted if the authority is required by law, regulation, or listing standard to be exercised by the Committee as a whole.

To fulfill its purposes, the Committee shall:

##### A. Oversee the Independent Auditor

1. appoint (subject to such approval by shareholders as may be mandated in the By-Laws), evaluate (taking into account opinions of management and the General Auditor and including an evaluation of the lead audit partner), compensate, oversee the work of, and if appropriate terminate, the independent auditor, who shall report directly to the Committee;
2. review and approve the terms of the independent auditor's retention, engagement and scope of the annual audit; pre-approve any audit-related and permitted non-audit services (including the fees and terms thereof) to be provided by the independent auditor (with pre-approvals disclosed as appropriate in the Corporation's periodic public filings); and, in connection with pre-approval of any permissible tax services (and services related to internal control over financial reporting), discuss with the independent auditor the potential effects of such services on the independence of the auditor;
3. on an annual basis: (i) review a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Corporation, consistent with Public Corporation Accounting Oversight Board ("PCAOB") Rule 3520, Auditor Independence (as modified or supplemented), actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and take appropriate action in response to the independent auditor's report to satisfy itself of the auditor's independence; (ii) consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis; and (iii) set clear hiring policies for employees or former employees of the independent auditors;
4. at least annually, review a report by the independent auditor describing: (i) the firm's internal quality-control procedures and (ii) any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any review, inquiry or investigation by governmental or professional authorities (including the PCAOB),



within the preceding five years, regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;

5. review and discuss with management, the independent auditor and the General Auditor:
  - (i) any significant findings during the year, including the status of previous audit recommendations; (ii) any accounting adjustments that were noted or proposed by the auditor but were “passed” (as immaterial or otherwise) and any other audit problems or difficulties encountered in the course of audit work, including any matters the independent auditor is required in accordance with applicable auditing standards to bring to the attention of the Committee; (iii) any restrictions on the scope of activities or access to required information; (iv) any changes required in the scope of the audit plan; (v) the audit budget and staffing; and (vi) the coordination of audit efforts in order to monitor completeness of coverage, reduction of redundant efforts, and the effective use of audit resources;
6. review and resolve any disagreements between management and the independent auditor concerning financial reporting, or relating to any audit report or other audit, review or attest services provided by the independent auditor;

**B. Oversee Internal Audit and Internal Controls**

7. review and discuss with management and the independent auditor:
  - (i) the adequacy of the Corporation’s internal control over financial reporting and disclosure controls and processes (including computerized information system disclosure controls and security), including (a) management’s quarterly certification of the Corporation’s disclosure controls and procedures and any reports of significant deficiencies and material weaknesses in internal control over financial reporting and actions taken to remedy any such weaknesses and any changes that have, or are reasonably likely to have, a material effect on internal control over financial reporting, (b) management’s annual assessment of the Corporation’s internal control over financial reporting, and (c) whether the Corporation’s internal control over financial reporting and disclosure controls and processes are designed to provide reasonable assurance that transactions entered into by the Corporation are properly authorized, assets are safeguarded from unauthorized or improper use, and transactions by the Corporation are properly recorded and reported;
  - (ii) any significant deficiencies in the design or operation of the Corporation’s internal control over financial reporting and disclosure controls and procedures that could adversely affect the Corporation’s ability to record, process, summarize and report financial data; (iii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation’s internal control over financial reporting and disclosure controls and procedures; and (iv) related findings and recommendations of management;
8. review and discuss with management and the independent auditor any significant financial, operational and legal risks or exposures and assess the steps management has taken to minimize such risks; and review and discuss with management and the independent auditor the Bank’s policies with respect to such risks;
9. oversee processes for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and any other aspects of the Bank’s internal control over financial reporting, and the confidential, anonymous submission by employees of concerns regarding questionable accounting, financial reporting or auditing matters;



10. oversee the charter, strategic plan execution, annual internal audit plan execution, staffing, budget and organizational structure of the internal audit function, including any recommended changes thereto; and shall review and approve the strategic plan and annual internal audit plan of, and any special projects undertaken by, the personnel performing the internal audit function;
11. review and approve the appointment, dismissal and replacement of the General Auditor, which person shall report functionally to and meet with the Committee on a regular basis, as determined by the Committee, and report administratively to the President and Chief Executive Officer of the Bank; and the Committee shall consult with management any changes with respect to the General Auditor's compensation and performance evaluations;
12. review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing;

C. Oversee Financial Reporting

13. review and discuss with management and the independent auditor, and considering the applicability to the Bank: (i) all critical accounting policies and practices used by the Corporation; (ii) any significant changes in accounting policies; (iii) any material alternative accounting treatments within GAAP that have been discussed with management, including the ramifications of the use of the alternative treatments and the treatment preferred by the accounting firm; and (iv) any accounting and financial reporting proposals that may have a significant impact on the Corporation's financial reports;
14. inquire as to the independent auditor's view of the accounting treatment related to significant new transactions or other significant matters or events not in the ordinary course of business;
15. review and discuss with the independent auditor the matters required to be discussed with the independent auditor by: (i) PCAOB Auditing Standard 1301, Communications with Audit Committees, and any other applicable rules and standards, including the auditor's responsibility under generally accepted auditing standards, an overview of the planned scope and timing of the audit, significant findings from the audit, the significant accounting policies used by the Corporation, accounting estimates used by the Corporation and the process used by management in formulating them, any consultation with other accountants, any major issues discussed with management prior to its retention; and (ii) PCAOB Auditing Standard 4105, Reviews of Interim Financial Information, including the review of the interim financial information of the Corporation and any material modifications that need to be made to the interim financial information for it to conform with GAAP;
16. review and discuss with management and the independent auditor any material financial or non-financial arrangements that do not appear on the financial statements of the Bank;
17. review and discuss with the independent auditor: (i) any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement; and (ii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Corporation, as applicable to the Bank, or any other material written communications between the accounting firm and management, such as any management letter or schedule of

unadjusted differences;

18. review the Corporation's financial statements, including: (i) prior to public release, review and discuss with management and the independent auditor the Corporation's annual and quarterly financial statements to be filed with the SEC (including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and any certifications regarding the financial statements or the Corporation's internal control over financial reporting and disclosure controls and procedures filed with the SEC by the Corporation's senior executive and financial officers); and (ii) with respect to the independent auditor's annual audit report and attestation report with respect to internal control over financial reporting, prior to release of the annual audited financial statements, meet with the independent auditor without any management member present to discuss (a) the adequacy of the preparation of the Corporation's audited financial statements, of the Corporation's system of internal control over financial reporting and the audit procedures applied by the independent auditor, (b) the appropriateness of the accounting principles applied and the judgments, including estimates, made in the preparation of the Corporation's audited financial statements, and (c) the quality of the Corporation's financial reports; (iii) meet separately, periodically, with management, including the General Auditor (or other personnel responsible for the internal audit function) regarding such matters; (iv) recommend to the Board whether to include the audited annual financial statements in the Corporation's Annual Report on Form 10-K to be filed with the SEC; and (v) prior to submission of any financial statements of the Corporation that differ from the financial statements filed by the Corporation with the SEC, reviewing such financial statements and any report, certification or opinion thereon provided by the independent auditor;

19. review and discuss earnings press releases with management, including the use of pro forma or adjusted non-GAAP financial measures, as well as financial information and earnings guidance provided to analysts and rating agencies. Discussions of earnings press releases as well as financial information and earnings guidance may be done generally (i.e. discussion of the types of information to be disclosed and the type of presentation to be made). Review need not occur in advance with respect to financial information or earnings guidance provided to analysts or rating agencies. Further, review need not occur in advance with respect to earnings press releases or earnings guidance if such information has been publicly disclosed through previous SEC filings;

**D. Oversee Legal and Ethical Compliance**

20. review periodically with the General Counsel: (i) legal matters that may have a material impact on the Bank's financial statements and (ii) the scope and effectiveness of the Bank's legal policies and programs, and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;

21. review, discuss with management and the independent auditor, and approve or ratify any transactions or courses of dealing with related persons (e.g., including significant shareholders of the Corporation, directors, executive officers or their immediate family members) that (i) are significant in size, (ii) involve terms or other aspects that differ from those that would likely be negotiated with independent parties, or (iii) are otherwise required to be approved or ratified by the Committee in accordance with the Corporation's related person transaction policy, including any safeguards or additional procedures to be applied in such circumstances;



22. review at least annually with management, including the General Counsel and General Auditor function, compliance with, the adequacy of and any requests for waivers under, the Bank's code(s) of business conduct and ethics (including codes that apply to all employees as well as those applicable to directors, senior officers and financial officers) and act on/make a recommendation to the full Board with regard to any waiver sought with respect to any executive officer or director;
23. review and address conflicts of interest of directors and executive officers;
24. review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith;

E. Others

25. oversee the preparation and approve all reports required or appropriate in the conduct of the Committee's responsibilities, including the report for inclusion in the Corporation's annual proxy statement, stating whether the Committee: (i) has reviewed and discussed the audited financial statements with management; (ii) has discussed with the independent auditors the matters required to be discussed by PCAOB Auditing Standard 1301 and any other applicable rules and standards; (iii) has received the written disclosures and the letter provided by the independent auditors pursuant to PCAOB Rule 3520 (describing their relationships with the Corporation) and has discussed with them their independence; and (iv) based on the review and discussions referred to above, the members of the Committee recommended to the Board that the audited financials be included in the Corporation's Annual Report on Form 10-K for filing with the SEC;
26. participate in continuing director education to enhance financial knowledge pertinent to the Bank's affairs, understanding of emerging issues, the general business operating environment, and audit committee responsibilities. Typically, this includes an annual review with the independent auditor of important developments and may also include briefings on a topic of particular importance to the Company's financial reporting on a regular basis over the Committee's annual meeting schedule, particularly when there are changes in the membership of the Committee.

## V. EVALUATIONS AND REPORTS

The Committee shall evaluate its own performance on an annual basis, including reviewing the Committee's compliance with this charter, and develop criteria for such evaluation. The performance evaluation should also recommend to the Board any improvements to this charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee may be conducted in any manner that the Committee deems appropriate but shall address, at a minimum, the adequacy, appropriateness, and quality of the information and recommendations provided by the Committee to the Board, the manner in which it was discussed, and whether the Committee was able to complete its work in an effective manner. The Committee shall also evaluate, on an annual basis, whether existing and potential Committee members satisfy the requirements governing the Committee's composition and independence requirements. Results of these evaluations will be reported to the Board and such reports may be made orally by the Chairman of the Committee or any other member of the Committee designated by the Committee.

The Committee shall report to the Board on Committee findings and recommendations, including on any



issues that arise with respect to the quality or integrity of the Bank's financial statements, the performance and independence of the independent auditors and the performance of the internal audit function, the Bank's compliance with legal or regulatory requirements and its codes of business conduct and ethics, approvals and ratifications of related person transactions, and any other matters the Committee deems appropriate or the Board requests. Reports of actions taken at meetings or approved by consent by the Committee since the most recent Board meeting (except to the extent covered in an interim report circulated to the Board) shall be made by the Committee Chairman or his/her delegate to the Board at its next regularly scheduled meeting following the Committee meeting or action and shall be accompanied by any recommendations from the Committee to the Board.

The Committee shall annually review and assess the adequacy of its charter and recommend any proposed changes to the Board for its approval. The Committee may recommend amendments to this Charter at any time and submit amendments for approval to the Board.