



2015
ANNUAL REPORT

Dear Shareholder:

The Tax-Free Puerto Rico Fund, Inc. (the "Fund") is pleased to present its Annual Report to Shareholders for the fiscal year ended December 31, 2015.

INVESTMENT OBJECTIVE

The Fund's investment objective is to provide investors in its Common Stock with a high level of current income that, for Puerto Rico investors, is exempt from U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital. To achieve its investment objective, the Fund invests at least 67% of its total assets in a non-diversified portfolio of taxable and tax-exempt securities issued by Puerto Rico issuers and up to 33% in securities issued or guaranteed by the U.S. Government and its agencies and instrumentalities as well as other non-Puerto Rico issuers.

Currently, the Puerto Rico bond market is experiencing a period of high volatility, with Puerto Rico bonds trading at lower prices and higher yields compared to benchmarks of the past two (2) years. In view of these volatile market conditions, the Puerto Rico Office of Commissioner of Financial Institutions (the "OCFI") has granted to the Fund a temporary regulatory waiver through July 31, 2016, from the Fund's Puerto Rico investment requirement in Puerto Rico securities as well as the Fund's leverage limitation of 50% of its total assets and 200% asset coverage requirement described below. The effectiveness of such waiver may be extended at the OCFI's discretion. It is the Fund's intention to maintain compliance therewith as market conditions permit, though there is no assurance the Fund will be able to do so.

Based on the representations and opinion of UBS Asset Managers of Puerto Rico, a division of UBS Trust Company of Puerto Rico, as the Investment Adviser, and consistent with the Fund's investment objective, the OCFI has also granted to the Fund no-objection relief with respect to the Fund's investment-grade credit rating requirement for Puerto Rico municipal securities. This permits the Fund to continue to invest in Puerto Rico municipal securities that do not have an investment-grade credit rating notwithstanding that the current credit rating of such securities is below investment-grade, under certain conditions and at the discretion of the Investment Adviser. Such no-objection relief is effective through May 25, 2016 or such other later date which may be approved by the OCFI.

THE BENEFITS AND RISKS OF LEVERAGE

The Fund is permitted to use leverage in an amount not to exceed 50% of the Fund's total assets. In addition, the Fund may also borrow for temporary or emergency purposes in an amount of up to an additional 5% of its total assets.

The Fund obtains leverage by borrowing, using its investment portfolio as well as securities otherwise obtained as collateral.

Leverage can produce additional income when the income derived from investments financed with borrowed funds exceeds the cost of such borrowed funds. In such an event, the Fund's net income will be greater than it would be without leverage. On the other hand, if the income derived from securities purchased with borrowed funds is not sufficient to cover the cost of such funds, the Fund's net income will be less than it would be without leverage.

FUND PERFORMANCE*

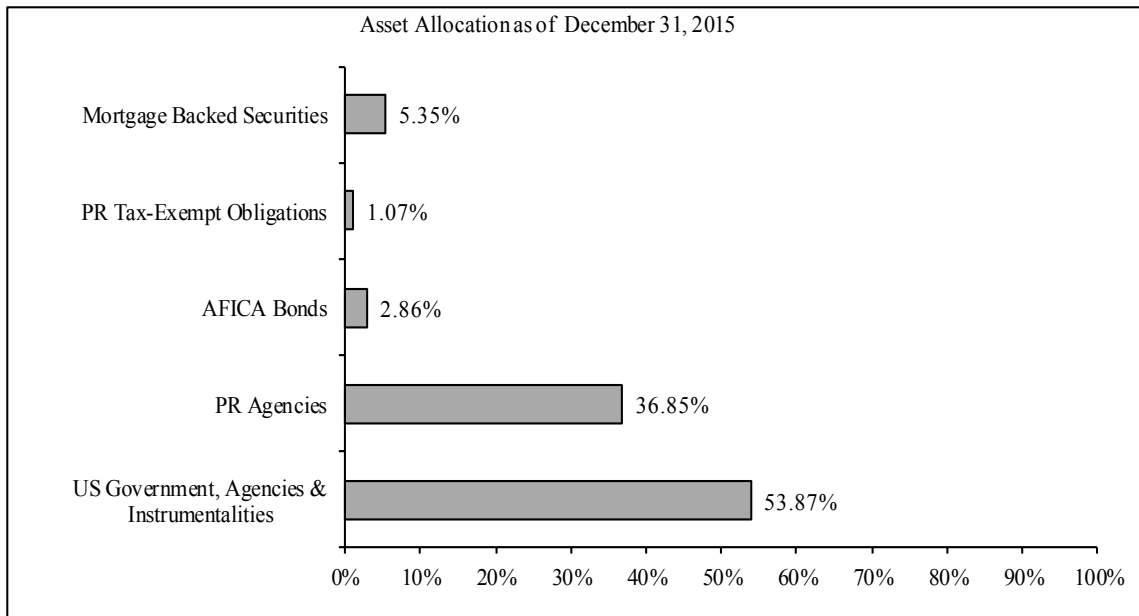
During the fiscal year ended December 31, 2015, the Fund experienced a total return of -30.00% based on the market value of the shares of the Fund's common stock and -15.59% based on the net asset value ("NAV") per-share at such date. This figure compares to a market return of 13.58% and a NAV return of 18.34%, both for fiscal year ended December 31, 2014. At December 31, 2015, the market value of the shares of the Fund's common stock was \$2.79, representing 76.9% of the NAV per-share of \$3.63. The comparable figure for 2014 was a market value of \$4.57, representing 92.7% of the NAV per-share of \$4.93.

The average dividend yield during the fiscal year ended December 31, 2015, computed over the original investment of \$10 per share, was 5.60%. This figure compares to a dividend yield of 5.85% for fiscal year 2014. The basis for the dividend distributions is the net investment income for tax purposes. Note 10 to the Fund's financial statements sets forth the reconciliation between the book net investment income and the tax investment income used for dividend payments.

The Fund's investment portfolio is comprised of various security classes. The Investment Adviser, considers numerous characteristics of each asset class, in an effort to meet the Fund's investment objective. A large number of the securities in which the Fund has invested have call dates that vary from three (3) months to ten (10) years (at the time of purchase). The call dates and final maturities of the portfolio are included in the Schedule of Investments which forms part of the accompanying financial statements.

Figure 1 below reflects the breakdown of the investment portfolio as of December 31, 2015. For details of the security categories below, please refer to the enclosed Schedule of Investments.

* The following discussion contains financial terms that are defined in the attached Glossary of Fund Terms.



ECONOMIC OVERVIEW

The U.S. economy grew 0.7% for the quarter ended December 31, 2015 compared to an increase of 2.0% in the previous quarter. Labor conditions continue to improve with the unemployment rate at 5.0% as of the fourth quarter-end. Inflation has been running below the 2% per year target of the U.S. Federal Reserve (the "Fed") and longer-term inflation expectations have remained stable.

During December 2015, the Fed raised the federal fund rate from a range of 0% to ¼% to a range of ¼% to ½%. In addition, they will implement additional rate hikes depending on future economic conditions. The Fed will assess progress toward its objectives of maximum employment and 2% inflation. This assessment will take into consideration a wide range of information, including measures of labor market conditions, indications of inflation pressures and inflation expectations, and readings on financial and international developments.

The yield on the ten-year U.S. Treasury Note closed at 2.27% on December 31, 2015 up from 2.17% in December 2014. The stock markets have reacted positively to a scenario of moderate growth, low interest rates and low inflation. Major indices have traded near or at all-time highs. However, geopolitical risks in Greece, Ukraine and the Middle East have market participants on edge. The decline in the price of oil has increased market volatility.

The Puerto Rico economy is closely linked to that of the United States. Many of the important variables that affect economic growth in Puerto Rico, such as imports, exports, direct investment, interest rates, transfer payments, inflation,

and tourism expenditures, are directly related to developments in the United States. The uncertainty created by the instability of the Puerto Rico government's finances, including a recurring budget deficit, has caused a prolonged contraction of economic activity.

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's"), and Standard & Poor's Rating Services ("S&P") have recently downgraded further the general obligation bonds ("GOs") of the Commonwealth of Puerto Rico, as well as the obligations of certain Commonwealth agencies and public corporations, including Puerto Rico Sales Tax Financing Corporation ("COFINA"), on numerous occasions. On June 29, 2015, Fitch further downgraded the GOs and related debt ratings from "B" to "CC." Moody's followed suit on July 1, 2015, downgrading the GOs and COFINA's senior bonds to "Caa3." S&P further downgraded all of the Commonwealth of Puerto Rico's tax-backed debt to "CC" on September 10, 2015. All such ratings carry a negative outlook. Currently, none of the bonds issued by the Commonwealth and its instrumentalities without credit enhancement carry an investment-grade credit rating.

The Government of Puerto Rico reported revenues of \$844.8 million on December 2015, resulting in a \$9.2 million decrease compared to December 2014 and a \$2.5 million increase compared to estimates included in the budget for Fiscal Year 2015-2016. Regarding sales tax, actual collections increased by \$215.4 million, which is a \$93.9 million increase year-over-year. However, this increase is the result of the increase in the Sales and Use Tax to 10.5% from 6%. The Puerto Rico economic environment continues to remain uncertain.

On June 2015, the P.R. Government presented the report "Puerto Rico--A Way Forward," which identified a deteriorating cash flow position and central government budget gaps approaching the size of current year general fund revenues. Subsequently, the Working Group for the Fiscal and Economic Recovery of Puerto Rico (the "Working Group") released the Puerto Rico Fiscal and Economic Growth Plan (the "Plan") recommending the restructuring of all tax-backed debt, including GOs and bonds issued by COFINA. The Plan was amended in January 18, 2016 to reflect an increase in the projected deficit over the first five years by approximately \$2.1 billion. In furtherance of its intention to restructure the \$72 billion debt load, the Government of Puerto Rico enacted the Public Corporations Debt Enforcement and Recovery Act (the "Recovery Act") and is lobbying the U.S. Congress to amend Chapter 9 of the U.S. Bankruptcy Code, to cover the central government and its instrumentalities. The U.S. District Court for the District of Puerto Rico declared the Recovery Act unconstitutional. Such ruling is pending appeal before the U.S. Supreme Court.

On August 2015, the Puerto Rico Public Finance Corporation ("PFC") failed to make a \$58 million payment on its debt, representing the first default on Puerto Rico agency debt. Thereafter, on November 30, 2015, the Governor redirected available revenues from the Highways and Transportation Authority, the Puerto

Rico Infrastructure Financing Authority ("AFI"), the Metropolitan Bus Authority, and the Integrated Transport Authority, to make principal and interest payments on GOs, which are guaranteed by the Puerto Rico Constitution. The Puerto Rico Tourism Company was also ordered to transfer amounts collected on certain taxes to the P.R. Treasury, towards the payment of obligations of the Puerto Rico Convention Center District Authority. On December 30, 2015, the Governor announced that the Commonwealth would make all bond payments due on January 4, 2016, except for \$37.3 million in interest corresponding to \$35.9 million of AFI bonds and \$1.4 million of PFC bonds. In this context, one could expect to see additional interruptions in cash flow on debt payments, in addition to more price volatility across Puerto Rico securities, as the results of many of the fiscal and budgetary measures adopted and to be adopted in the future by the Government of Puerto Rico are fully realized and a debt restructuring is implemented. The Fund does not own any bonds issued by PFC but does own AFI bonds amounting to \$500,000 with a fair value of \$72,500 as of December 31, 2015,

SHARE REPURCHASE PROGRAM

On August 13, 2015, the Fund's Board of Directors approved an increase in the maximum amount of shares that can be repurchased under the Fund's Share Repurchase Program, for the repurchase by the Fund of outstanding shares of Common Stock (the "Shares") in open-market transactions, up to 50% of the Fund's outstanding shares, at share prices equal to or at a discount of the corresponding NAV per Share.

During the fiscal year, the Shares continued to experience a period of limited liquidity and/or trading at a discount to their net asset value. Although the holders of the Shares do not have the right to redeem their Shares inasmuch as the Fund is closed-ended, the Fund may, at its sole discretion, effect repurchases of Shares in the open market, in an attempt to increase the liquidity of the Shares as well as reduce any market discount from their corresponding net asset value. There is no assurance that, if such action is undertaken, it will result in the improvement of the Shares' liquidity or reducing any such market discount. Moreover, while such undertaking may have a favorable effect on the market price of the Shares, the repurchase of the Shares by the Fund will decrease the Fund's total assets and therefore, have the effect of increasing the Fund's expense ratio.

Repurchases by the Fund must be conducted in accordance with the terms and conditions contained in Article 10 of Regulation No. 8469 issued by the OCFI and procedures adopted by the Fund's Board of Directors to address potential conflicts of interest with affiliated broker-dealer UBS Financial Services Incorporated of Puerto Rico. Among other things, such regulation and procedures require that to the extent that various sellers indicate interest in selling shares of the Fund, it will purchase such shares starting with the lowest

offered price and in the following order of priority for each price: (1) individual and corporate investors, irrespective of the broker-dealer that serves as record owner of the shares to be repurchased; (2) the trading desks of Puerto Rico broker-dealers which are unaffiliated with the Fund; and (3) the trading desk of UBS Financial Services Incorporated of Puerto Rico. If sellers offer more shares for repurchase than the Fund is able to accept at any particular price for a particular level of priority, repurchase offers will be accepted on a pro-rata basis within that particular level of priority. Additionally, to the extent that UBS Financial Services Incorporated of Puerto Rico elects to offer the Fund's shares of Common Stock for repurchase from its respective securities inventory, it must do so at its corresponding offer price per share reported to the public.

The Fund's Share Repurchase Program is implemented on a discretionary basis, under the direction of the Investment Adviser. The Fund's repurchase activity for each fiscal year is disclosed in the Annual Report to Shareholders attached hereto (see Note 3), as well as the quarterly reports to shareholders. The undertaking of a repurchase program does not obligate the Fund to purchase specific amounts of Shares.

During the fiscal year ended December 31, 2015, the Fund repurchased 2,173,058 shares of its common stock in the open market, of which 12,032 were used to cover shares for the dividend reinvestment plan. The total shares repurchased as of December 31, 2015 amount to 7,411,587 and represent 40.04% of the issued shares of the Fund's common stock since inception.

OUTLOOK

At its March 2016 meeting the Fed maintained the discount rates at its current levels and will monitor rates hikes depending on future economic conditions.

Under the current volatile market conditions, the Investment Adviser reconfirms its commitment to providing professional asset management services to the Fund.

UBS Asset Managers of Puerto Rico,
a division of UBS Trust Company of
Puerto Rico, as Investment Adviser

GLOSSARY OF FUND TERMS

Bond - security issued by a government or corporation that obligates the issuer to pay interest income to the bondholder at regular intervals and to repay the entire amount borrowed at maturity date.

Closed-end fund - a fund that issues a fixed amount of common stock.

Coupon- the interest rate that a bond promises to pay over its life, expressed as a percent over its face value.

Dividend - a per-share distribution of the income earned from a fund's portfolio holdings. When a dividend distribution is made, a fund's net asset value drops by the amount of the distribution because the distribution is no longer considered part of the fund's assets.

Expense ratio- the percentage of a fund's average net assets attributable to common shareholders used to pay fund operating expenses. The expense ratio takes into account, investment management fees, administration fees as well as other operating expenses such as legal, audit, insurance and shareholder communications.

Interest Rate Swap – an agreement to exchange one interest rate stream for another. No principal changes hands.

Maturity- the date on which the face value of a bond must be repaid. For a portfolio it is represented in years and measures the average length to maturity of all the bonds in the portfolio. This measure does not take into account embedded options in the bonds comprising the portfolio.

Net Asset Value (NAV) Per Share – the NAV per share is determined by subtracting the fund's total liabilities from its total assets, and dividing that amount by the number of fund shares of Common Stock outstanding.

Notional amount - refers to the specified dollar amount of the swap in which the exchange of interest payment is based.

Premium/Discount- the difference between the bid price of the shares of a fund and their NAV. In a case of a premium, the bid price is above the NAV. In the case of a discount, the bid price is below the NAV. These amounts can be expressed as numerical values or percentages. The higher the percentage, the larger the difference (positive or negative) between the market price and the NAV of a fund.

Total Investment Return - the change in value of a fund investment over a specified period of time, taking into account the change in a fund's market price and the reinvestment of all fund distributions.

Turnover Ratio – the turnover ratio represents the fund's level of trading activity. The Fund divides the lesser of purchases or sales (expressed in dollars and excluding all securities with maturities of less than one year) by the Fund's average monthly assets.

Undistributed income- the net income of a fund that has not been distributed to common shareholders as of the latest available audited financial statements. In the case of the target maturity type-funds, it also includes the amounts to be distributed after the target date to return the initial (i.e. \$10) investment.

(This page intentionally left blank)

TAX-FREE PUERTO RICO FUND, INC.

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements. It should be read in conjunction with the financial statements and notes thereto.

FINANCIAL HIGHLIGHTS

		For the fiscal year ended December 31, 2015	For the fiscal year ended December 31, 2014	For the period from February 1, 2013 to December 31, 2013	For the fiscal year ended January 31, 2013	For the fiscal year ended January 31, 2012
Increase (Decrease) in Net Asset Value:						
Per Share Operating Performance:	Net asset value applicable to common stock, beginning of period	\$ 4.93	\$ 4.67	\$ 9.11	\$ 9.46	\$ 8.16
	Net investment income (a)	0.53	0.62	0.70	0.78	0.81
	Net realized (loss) gain and unrealized (depreciation) appreciation from investments and swaps (a)	(1.38)	0.14	(4.54)	(0.41)	1.21
	Total from investment operations	(0.85)	0.76	(3.84)	0.37	2.02
	Less: Dividends from net investment income to common shareholders	(0.56)	(0.59)	(0.62)	(0.72)	(0.72)
	Discount on repurchase of common stock	0.11	0.09	0.02	-	-
	Net asset value applicable to common stock, end of period	\$ 3.63	\$ 4.93	\$ 4.67	\$ 9.11	\$ 9.46
	Market value, end of period (b)	\$ 2.79	\$ 4.57	\$ 4.51	\$ 9.55	\$ 9.80
Total Investment Return:	(b) (f) Based on market value per share	(30.00)%	13.58%	(48.35)%	5.18%	23.72%
	(f) Based on net asset value per share	(15.59)%	18.34%	(43.93)%	3.94%	25.87%
Ratios:	(c) (d) (e) Expenses to average net assets applicable to common shareholders - net of waived fees	2.35%	1.62%	1.96%	1.81%	1.91%
	(c) (e) Operating expenses to average net assets applicable to common shareholders - net of waived fees	1.75%	1.12%	1.42%	1.32%	1.38%
	(c) Interest and leverage related expenses to average net assets applicable to common shareholders	0.60%	0.50%	0.54%	0.49%	0.53%
	(c) (e) Net investment income to average net assets applicable to common shareholders - net of waived fees	12.64%	12.07%	10.12%	8.33%	9.25%
Supplemental Data:	Net assets applicable to common shareholders, end of period (in thousands)	\$ 40,359	\$ 65,391	\$ 77,395	\$ 166,033	\$ 169,148
	Portfolio turnover	8.83%	3.75%	6.88%	40.16%	41.74%
	Portfolio turnover excluding the proceeds from calls and maturities of portfolio securities and the proceeds from mortgage backed securities paydowns	8.83%	3.75%	6.88%	14.67%	29.32%

- (a) Based on average outstanding common shares of 11,949,472; 14,498,805; 18,284,960; 18,051,012; and 17,774,610 for the fiscal year ended December 31, 2015; December 31, 2014, for the period from February 1, 2013 to December 31, 2013 and for the fiscal years ended January 31, 2013; and January 31, 2012, respectively.
- (b) Period-end market values provided by UBS Financial Services Incorporated of Puerto Rico, a dealer of the Fund's shares and an affiliated party. The market values shown may reflect limited trading in the shares of the Fund.
- (c) Based on average net assets applicable to common shareholders of \$50,487,873; \$73,891,186; \$135,150,407; \$170,196,726; and \$155,019,014 for the fiscal year ended December 31, 2015; December 31, 2014, for the period from February 1, 2013 to December 31, 2013 and for the fiscal years ended January 31, 2013; and January 31, 2012, respectively. Ratios for the period ended December 31, 2013 were annualized using a 365 day base.
- (d) Expenses include both operating and interest and leverage related expenses.
- (e) The effect of the expenses waived for the fiscal year ended December 31, 2015; December 31, 2014, for the period from February 1, 2013 to December 31, 2013 and for the fiscal years ended January 31, 2013; and January 31, 2012 was to decrease the expense ratios, thus increasing the net investment ratio to average net assets by 0.81%; 0.93%; 0.59%; 0.45%; and 0.47%, respectively.
- (f) Dividends are assumed to be reinvested at the per-share net asset value on the ex-dividend date. Investment return is not annualized for the period from February 1, 2013 to December 31, 2013.

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

TAX-FREE PUERTO RICO FUND, INC.
SCHEDULE OF INVESTMENTS
December 31, 2015

Face Amount		Issuer	Coupon	Next Callable Date ^E	Maturity Date	Value
Puerto Rico Tax-Exempt Obligations - 2.09% of net assets applicable to common shareholders, total cost of \$758,524						
\$	38,856	G H Community Endowment-Collateralized by FNMA Pool 564115 8.50% due on 12/01/30	8.50%		12/01/30	\$ 39,509
	216,506	G H F Community Endowment-Collateralized by FNMA Pool 564122 8.00% due on 01/01/31	8.00%		01/01/31	248,349
	241,208	G H F Community Endowment-Collateralized by FNMA Pool 564129 8.00% due on 02/01/31	8.00%		02/01/31	276,222
	177,702	G H F Community Endowment-Collateralized by FNMA Pool 564130 8.50% due on 01/01/31	8.50%		01/01/31	193,214
	56,296	G H Community Endowment-Collateralized by FNMA Pool 567013 8.00% due on 03/01/31	8.00%		03/01/31	58,019
	27,955	G H Community Endowment-Collateralized by FNMA Pool 573425 8.00% due on 02/01/31	8.00%		02/01/31	28,050
\$	758,523	D				\$ 843,363
Puerto Rico Agencies Bonds and Notes - 64.04% of net assets applicable to common shareholders, total cost of \$50,905,090						
\$	3,250,000	J Employees Retirement System	6.15%	07/01/18	07/01/38	\$ 975,260
	1,300,000	J Employees Retirement System	6.45%	07/01/18	07/01/55	389,454
	1,400,000	J Employees Retirement System	6.30%	07/01/18	07/01/36	420,476
	1,400,000	J Employees Retirement System	6.30%	07/01/18	07/01/37	419,888
	1,400,000	J Employees Retirement System	6.30%	07/01/18	07/01/38	419,580
	1,400,000	J Employees Retirement System	6.30%	07/01/18	07/01/39	419,608
	2,000,000	J Employees Retirement System	6.55%	07/01/18	07/01/55	599,180
	2,000,000	J Employees Retirement System	6.55%	07/01/18	07/01/56	599,160
	800,000	J Employees Retirement System	6.55%	07/01/18	07/01/57	239,664
	1,000,000	J Employees Retirement System	6.55%	07/01/18	07/01/58	299,580
	1,685,000	I Puerto Rico Electric Power Authority	5.50%	07/01/18	07/01/38	1,082,747
	290,000	I Puerto Rico Electric Power Authority	5.25%	07/01/20	07/01/27	186,427
	3,680,000	I Puerto Rico Electric Power Authority	6.05%	07/01/20	07/01/32	2,364,694
	45,000	I Puerto Rico Electric Power Authority	5.00%	Non-callable	07/01/16	31,002
	70,000	I Puerto Rico Electric Power Authority	5.00%	Non-callable	07/01/18	45,126
	25,000	I Puerto Rico Electric Power Authority	5.00%	Non-callable	07/01/19	16,100
	40,000	I Puerto Rico Electric Power Authority	5.25%	Non-callable	07/01/18	25,786
	1,230,000	I Puerto Rico Electric Power Authority	6.75%	07/01/23	07/01/36	798,012
	15,000	I Puerto Rico Electric Power Authority	5.00%	Non-callable	07/01/16	9,908
	15,000	I Puerto Rico Electric Power Authority	5.00%	07/01/17	07/01/18	9,670
	50,000	I Puerto Rico Electric Power Authority	5.00%	07/01/17	07/01/20	32,182
	1,000,000	L Puerto Rico General Obligations	6.00%	07/01/18	07/01/38	660,160
	1,400,000	L Puerto Rico General Obligations	5.50%	07/01/22	07/01/39	915,544
	2,065,000	I Puerto Rico Government Development Bank	5.00%	03/04/16	08/01/23	569,940
	1,000,000	I Puerto Rico Government Development Bank	5.20%	03/14/16	08/01/26	275,550
	500,000	I Puerto Rico Infrastructure Financing Authority	5.00%	03/04/16	07/01/41	72,500
	850,000	I K Puerto Rico Sales Tax	6.05%	08/01/17	07/01/39	466,463
	850,000	I K Puerto Rico Sales Tax	6.05%	08/01/17	08/01/39	466,455
	2,750,000	I K Puerto Rico Sales Tax	6.35%	08/01/17	05/01/57	1,509,035
	2,750,000	I K Puerto Rico Sales Tax	6.35%	08/01/17	07/01/57	1,510,438
	2,750,000	I K Puerto Rico Sales Tax	6.35%	08/01/17	07/01/57	1,510,438
	6,725,000	I K Puerto Rico Sales Tax	6.13%	08/01/18	08/01/37	3,688,192
	8,780,000	I K Puerto Rico Sales Tax	6.13%	08/01/18	08/01/38	4,818,464
\$	54,515,000					\$ 25,846,683
Puerto Rico Agencies Zero Coupons Bonds - 7.92% of net assets applicable to common shareholder, total cost of \$9,393,474						
\$	520,000	K I Puerto Rico Sales Tax	0.00%	08/01/17	08/01/29	\$ 110,157
	1,680,000	K I Puerto Rico Sales Tax	0.00%	08/01/17	08/01/31	315,823
	35,900,000	K I Puerto Rico Sales Tax	0.00%	Non-callable	08/01/35	2,770,762
\$	38,100,000					\$ 3,196,742
AFICA Bond Exempt - 5.59% of net assets applicable to common shareholders, total cost of \$3,470,000						
\$	100,000	Ashford Presbyterian Community Hospital Parking Project	6.70%	05/01/16	11/01/20	\$ 91,145
	1,455,000	Palmas del Mar Country Club Project - Guaranteed by the Puerto Rico Tourism Development Fund	7.00%	03/04/16	12/20/18	1,018,675
	1,915,000	Palmas del Mar Country Club Project - Guaranteed by the Puerto Rico Tourism Development Fund	7.25%	03/04/16	12/20/30	1,145,496
\$	3,470,000	A				\$ 2,255,316
Principal Outstanding Amount						
Mortgage-Backed Securities - 9.34% of net assets applicable to common shareholders, total cost of \$4,240,887						
\$	4,240,887	B G Doral Financial Participation Certificate 2001 Series A	7.58%		10/01/35	\$ 3,770,997
Puerto Rico GNMA Taxable - 0.17% of net assets applicable to common shareholders, total cost of \$64,363						
\$	64,363	C GNMA Pool 545812	7.00%		04/15/31	\$ 66,198
Puerto Rico FNMA Taxable - 0.95% of net assets applicable to common shareholders, total cost of \$352,773						
\$	73,945	FNMA Pool 573429	7.00%		03/01/31	\$ 82,343
	109,160	FNMA Pool 573431	7.50%		03/01/31	117,033
	124,508	FNMA Pool 573449	7.00%		04/01/31	138,401
	45,159	FNMA Pool 573450	7.50%		04/01/31	46,073
\$	352,772	D				\$ 383,850
Face Amount						
US Government, Agency and Instrumentalities - 74.81% of net assets applicable to common shareholders, total cost of \$30,439,558						
\$	11,450,000	F Federal Farm Credit	3.24%	02/09/16	12/27/32	\$ 10,954,810
	8,500,000	F Federal Farm Credit	3.18%	02/09/16	08/03/27	8,440,322
	6,150,000	F Federal Home Loan Bank	3.18%	02/09/16	12/20/32	5,805,557
	2,805,000	F Federal Home Loan Bank	5.50%	Non-callable	07/15/36	3,643,532
	1,400,000	F Federal Home Loan Bank	3.30%	02/09/16	05/07/32	1,346,706
\$	30,305,000					\$ 30,190,927

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

Face Amount				Issuer	Coupon	Next Callable Date ^E	Maturity Date	Value	
US Municipals - 17.93% of net assets applicable to common shareholders, total cost of \$6,781,313									
\$	2,000,000	N	F	City of Chicago O'Hare International Airport	6.85%	01/01/20	01/01/38	\$	2,241,060
	1,380,000		F	State of Illinois General Obligations	7.10%	M	07/01/35		1,445,067
	1,500,000		F	State of Illinois General Obligations	7.35%	M	07/01/35		1,627,260
	250,000		F	State of Illinois General Obligations	5.00%	M	01/01/23		248,690
	250,000		F	State of Illinois General Obligations	5.15%	M	01/01/24		249,838
	250,000		F	State of Illinois General Obligations	5.25%	M	01/01/25		248,938
	250,000		F	State of Illinois General Obligations	5.35%	M	01/01/26		244,143
	900,000	N	F	UNM Sandoval Regional Medical Center	4.50%	01/20/21	07/20/36		932,470
\$	6,780,000							\$	7,237,466
US Municipals Zero Coupon - 12.47% of net assets applicable to common shareholders, total cost of \$3,811,619									
\$	7,280,000	N	F	Portland Oregon Revenue Bonds	0.00%	Non-callable	06/01/25	\$	5,032,300
Total investments (195.31% of net assets applicable to common shareholders)								\$	78,823,842
Interest rate swaps (-0.35% of net assets applicable to common shareholders)									(142,508)
Other Assets and Liabilities, net (-94.96% of net assets applicable to common shareholders)									(38,322,656)
Net assets applicable to common shareholders - 100%								\$	40,358,678

- A AFICA - Puerto Rico Industrial Tourism, Medical, Educational and Environmental Pollution Controls Financing Authority. Revenue bonds payable solely from cash flows generated by the underlying project.
- B Certificates are collateralized by mortgage-backed obligations. They are subject to pre-payments or refinancing of the underlying mortgage instruments. As a result, the average life may be substantially less than the original maturity. The mortgage loans underlying these trust securities are guaranteed by the Federal Housing Administration ("FHA") or by the United States Veterans Administration ("VA").
- C GNMA - represents mortgage-backed obligations guaranteed by the Government National Mortgage Association. They are subject to principal paydowns as a result of pre-payments or refinancing of the underlying mortgage instruments. As a result, the average life may be substantially less than the original maturity.
- D FNMA - represents mortgage-backed obligations guaranteed by the Federal National Mortgage Association. They are subject to principal paydowns as a result of pre-payments or refinancing of the underlying mortgage instruments. As a result, the average life may be substantially less than the original maturity.
- E The issuer has the ability, but not the obligation, to call these securities on these dates.
- F A portion or all of the security has been pledged as collateral for securities sold under repurchase agreements, collateralized notes payable, or swaps.
- G Private Placement.
- H The only source for payment of interest and principal is the collateral.
- I Revenue Bonds - issued by agencies and payable from revenues and other sources of income of the agency as specified in the applicable prospectus. These bonds are not obligations of the Commonwealth of Puerto Rico.
- J The bonds are limited, non-recourse obligations of the Employees Retirement System payable solely from, and secured solely by, employer contributions made after the date of issuance of the bonds.
- K Puerto Rico Sales Tax Financing Corporation (the "Corporation") issues its Sales Tax Revenue Bonds to provide funds to the Commonwealth of Puerto Rico to be applied for various purposes. The bonds will be payable solely from and secured by a security interest granted under the Sales Tax Revenue Bond Resolution.
- L These securities are obligations of the Commonwealth of Puerto Rico.
- M These securities are subject to redemption prior to the maturity at the option of the issuer on any Business Day, at a redemption price, which is either not less than the securities face amount or make-whole as defined in the prospectus.
- N Revenue Bonds - issued by agencies and payable from revenues and other sources of income of the agency as specified in the applicable prospectus.

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

TAX-FREE PUERTO RICO FUND, INC.**STATEMENT OF ASSETS AND LIABILITIES****December 31, 2015**

Assets:	Investments in securities:		
	Securities pledged as collateral on repurchase agreements and swaps, at value, which has the right to be repledged (identified cost - \$41,597,818)	\$	43,108,525
	Other securities, at value (identified cost - \$68,619,783)		35,715,317
	Cash		533,695
	Cash due from broker		30,000
	Real estate owned		45,000
	Interest receivable		882,214
	Prepaid expenses and other assets		8,797
	Total assets		<u>80,323,548</u>

Liabilities:	Securities sold under repurchase agreements		39,166,000
	Dividends payable to common shareholders		486,203
	Interest rate swaps, at value (Note 1)		142,508
	Payables:		
	Interest and leverage expenses	23,781	
	Investment advisory fees	26,113	
	Administration, custody, and transfer agent fees	<u>10,403</u>	60,297
	Accrued expenses and other liabilities		109,862
	Total liabilities		<u>39,964,870</u>

Net Assets Applicable to Common Shareholders:	\$	<u>40,358,678</u>
------------------------------------------------------	-----------	--------------------------

Net Assets Applicable to Common Shareholders

consist of:	Capital stock, \$0.01 par value, 98,000,000 shares authorized, 11,113,202 shares issued and outstanding	\$	111,132
	Additional paid-in capital		139,042,185
	Undistributed net investment income (Note 1 and Note 10)		6,141,832
	Accumulated net realized loss from investments and swaps		(73,359,413)
	Unrealized net depreciation on investments, swaps and real estate owned		<u>(31,577,058)</u>
	Net assets applicable to common shareholders	\$	<u>40,358,678</u>
	Net asset value applicable to common shares - per share; 11,113,202 shares outstanding	\$	<u>3.63</u>

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

TAX-FREE PUERTO RICO FUND, INC.**STATEMENT OF OPERATIONS**

For the fiscal year
ended December
31, 2015

Investment Income:	Interest	\$ 7,571,135
---------------------------	----------	--------------

Expenses:	Interest and leverage related expenses	302,596
	Investment advisory fees	729,087
	Administration, custody, and transfer agent fees	175,399
	Professional fees	169,829
	Directors' fees and expenses	44,505
	Insurance expense	58,126
	Other	116,555
	Total expenses	1,596,097
	Waived investment advisory, administration, and transfer agent fees	(408,289)
	Net expenses after waived fees by investment adviser, administration, and transfer agent	1,187,808

Net Investment Income:	6,383,327
-------------------------------	-----------

Realized Loss and Unrealized Depreciation on Investments and Swaps:	Net realized loss on investments	(18,773,822)
	Net realized loss on interest rate swaps	(471,510)
	Change in unrealized net depreciation on investments	2,127,713
	Change in unrealized net depreciation on real estate owned	(40,791)
	Change in unrealized net value on swaps	288,491
	Total net realized and unrealized loss on investments and swaps	(16,869,919)

Net decrease in net assets resulting from operations	\$ (10,486,592)
-------------------------------------------------------------	-----------------

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

TAX-FREE PUERTO RICO FUND, INC.**STATEMENT OF CHANGES IN NET ASSETS**

		For the fiscal year ended December 31, 2015	For the fiscal year ended December 31, 2014
Decrease in Net Assets:			
	Net investment income	\$ 6,383,327	\$ 8,919,557
	Net realized loss on investments and swaps	(19,245,332)	(11,546,958)
	Change in unrealized net depreciation on investments, swaps and real estate owned	2,375,413	14,806,529
	Net (decrease) increase in net assets resulting from operations	(10,486,592)	12,179,128
Dividends to Common Shareholders From:			
	Net investment income	(6,652,680)	(8,374,359)
Capital Share Transactions:			
	Reinvestment of dividends on common shares	47,560	150,087
	Repurchase of common shares	(7,940,394)	(15,959,209)
		(7,892,834)	(15,809,122)
Net Assets:			
	Net decrease in net assets applicable to common shareholders	(25,032,106)	(12,004,353)
	Net assets at the beginning of the year	65,390,784	77,395,137
	Net assets at the end of the year	\$ 40,358,678	\$ 65,390,784

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

TAX-FREE PUERTO RICO FUND, INC.**STATEMENT OF CASH FLOWS**

**For the fiscal year
ended December
31, 2015**

Increase (Decrease) in Cash

Cash Provided by Operations:	Net decrease in net assets from operations	\$ (10,486,592)
	Adjusted by:	
	Purchases of portfolio securities	(16,700,021)
	Proceeds from sale of portfolio securities	27,212,181
	Call, maturities, and paydowns of portfolio securities	18,170,538
	Net realized loss on investments	18,773,822
	Change in unrealized depreciation on investments and swaps	(2,416,204)
	Change in unrealized depreciation on real estate owned	40,791
	Accretion of discounts on investments	(1,123,133)
	Amortization of premiums on investments	7,741
	Decrease in interest receivable	556,128
	Decrease in prepaid expenses and other assets	14,770
	Increase in cash due from broker	(30,000)
	Increase in interest payable	2,182
	Decrease in administration, custody, and transfer agent fees payable	(3,009)
	Decrease in investment advisory fees payable	(14,077)
	Increase in accrued expenses and other liabilities	9,769
	Total cash provided by operations	<u>34,014,886</u>

Cash Used in Financing Activities:	Securities sold under repurchase agreements, net of repayments of \$330,691,400	5,351,600
	Short-term notes, net of repayments of \$288,883,000	(24,176,000)
	Dividends to common shareholders paid in cash	(6,765,994)
	Repurchase of common shares	(7,940,394)
	Total cash used in financing activities	<u>(33,530,788)</u>

Cash:	Net increase in cash for the year	484,098
	Cash at the beginning of the year	49,597
	Cash at the end of the year	<u>\$ 533,695</u>

Cash Flow Information:	Cash paid for interest and leverage related expenses	\$ 297,347
	Non-cash activities-dividends reinvested by common shareholders	\$ 47,560
	Real estate acquired in settlements of mortgage loans	<u>\$ 45,000</u>

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

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

1. Reporting Entity and Significant Accounting Policies

Tax-Free Puerto Rico Fund, Inc. (the "Fund") is a non-diversified, closed-end management investment company. The Fund is a corporation organized under the laws of the Commonwealth of Puerto Rico and is registered as an investment company under the Puerto Rico Investment Companies Act of 1954, as amended (the "Puerto Rico Investment Companies Act"). The Fund was incorporated on March 24, 2000 and commenced operations on February 28, 2001. UBS Asset Managers of Puerto Rico, a division of UBS Trust Company of Puerto Rico ("UBSTC"), is the Fund's Investment Adviser (the "Investment Adviser"). UBSTC is also the Fund's Administrator ("Administrator").

The Fund's investment objective is to provide current income, consistent with the preservation of capital.

The following is a summary of the Fund's significant accounting policies:

Use of Estimates in Financial Statements Preparation

The accompanying financial statements of the Fund have been prepared on the basis of accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Net Asset Value Per Share

The net asset value per share of the Fund is determined by the Administrator on Wednesday of each week after the close of trading on the New York Stock Exchange ("NYSE") or, if such day is not a business day in New York City and Puerto Rico, on the next succeeding business day, and at month-end if such date is not a Wednesday. The net asset value per share is computed by dividing the assets of the Fund less its liabilities, by the number of outstanding shares of the Fund.

Valuation of Investments

All securities are valued by UBSTC, on the basis of valuations provided by pricing services or by dealers which were approved by the Fund's management and the Board of Directors. In arriving at their valuation, pricing sources may use both a grid matrix of securities values as well as the evaluations of their staff. The valuation, in either case, is based on information concerning actual market transactions and quotations from dealers or a grid matrix performed by an outside vendor that reviews certain market and security factors to arrive at a bid price for a specific security. Certain Puerto Rico obligations have a limited number of market participants and thus, might not have a readily ascertainable market value and may have periods of illiquidity. Certain securities of the Fund for which quotations are not readily available from any source, are valued at fair value by or under the direction of the Investment Adviser utilizing quotations and other information concerning similar securities obtained from recognized dealers. The Investment Adviser can override any price that it believes is not consistent with market conditions.

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

The Investment Adviser has established a Valuation Committee (the "Committee") which is responsible for overseeing the pricing and valuation of all securities held in the Fund. The Committee operates under pricing and valuation policies and procedures established by the Investment Adviser and approved by the Board of Directors. The policies and procedures set forth the mechanisms and processes to be employed on a weekly basis related to the valuation of portfolio securities for the purpose of determining the net asset value of the Fund. The Committee reports to the Board of Directors on a regular basis. At December 31, 2015, no investment securities market values were determined by the Committee.

GAAP provides a framework for measuring fair value and expands disclosures about fair value measurements and requires disclosures surrounding the various inputs that are used in determining the fair value of the Fund's investments. These inputs are summarized in three (3) broad levels listed below:

- Level 1 - Quoted prices in active markets for identical assets and liabilities at the measurement date. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Significant inputs other than quoted prices that are observable (including quoted prices for similar securities, interest rates, pre-payment speeds, credit risk, etc.), either directly or indirectly.
- Level 3 - Significant unobservable inputs, for example, inputs derived through extrapolation that cannot be corroborated by observable market data. These will be developed based on the best information available in the circumstances, which might include UBSTC's own data. Level 3 inputs will consider the assumptions that market participants would use in pricing the asset, including assumptions about risk (e.g., credit risk, model risk, etc.).

The Fund maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Fair value is based upon quoted market prices when available. Valuation adjustments are limited to those necessary to ensure that the financial instrument's fair value is adequately representative of the price that would be received or paid in the marketplace. These adjustments include amounts that reflect counterparty credit quality, the Fund's credit standing, constraints on liquidity, and unobservable parameters that are applied consistently.

The estimated fair value may be subjective in nature and may involve uncertainties and matters of significant judgment for certain financial instruments. Changes in the underlying assumptions used in calculating fair value could significantly affect the results. Therefore, the estimated fair value may materially differ from the value that could actually be realized on sale.

Following is a description of the Fund's valuation methodologies used for assets and liabilities measured at fair value:

Puerto Rico Tax-Exempt Obligations: Prices for these securities are obtained from third-party service providers and are based on the collateral. Third-party service providers use a pricing methodology based on observable market inputs. These securities trade in over-the-counter markets. Quoted prices are based on recent trading activity for similar instruments. These notes are classified as Level 2.

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

AFICA Bonds, Puerto Rico Agencies Bonds and Notes: Obligations of Puerto Rico and political subdivisions are segregated and those with similar characteristics are then divided into specific sectors. The values for these securities are obtained from third-party pricing service providers that use a pricing methodology based on observable market inputs. Market inputs used in the evaluation process include all or some of the following: trades, bid price or spread, quotes, benchmark curves (including, but not limited to, Treasury benchmarks, LIBOR, and swap curves), and discount and capital rates. These bonds are classified as Level 2. Bonds for which there is a lack of transparency of prices due to lack of trading activity are classified as Level 3.

Mortgage and Other Asset-Backed Securities: Fair value for these securities is mostly obtained from third-party pricing service providers that use a pricing methodology based on observable market inputs. Certain agency mortgage and other asset-backed securities ("MBS") are priced based on a bond's theoretical value from similar bonds, the term "similar" being defined by credit quality and market sector. Their fair value incorporates an option adjusted spread. These securities are classified as Level 2. Securities for which there is a lack of transparency of prices due to lack of trading activity are classified as Level 3.

Obligations of U.S. Government Sponsored Entities, State, and Municipal Obligations: The fair value of obligations of U.S. Government sponsored entities, state and municipal obligations is obtained from third-party pricing service providers that use a pricing methodology based on an active exchange market and based on quoted market prices for similar securities. These securities are classified as Level 2. U.S. agency structured notes are priced based on a bond's theoretical value from similar bonds defined by credit quality and market sector, and for which the fair value incorporates an option adjusted spread in deriving their fair value. These securities are classified as Level 2.

Derivatives: The fair value of derivative instruments is based on observable market parameters. Derivatives are mainly composed of interest rate swaps. The derivatives are indexed to an observable interest rate benchmark, such as London Interbank Offered Rate ("LIBOR"). The cash flows are discounted using forward curves for the underlying benchmark. For cancellable derivatives, the "Hull-White" model is used to value the option component of the derivative instruments. A credit component is not considered in the valuation since the Fund fully collateralizes in excess of agreed upon thresholds, if any, with investment securities, any mark to market loss with the counterparty, and if there are market gains, the counterparty must deliver collateral in excess of agreed upon thresholds to the Fund. In addition, counterparties must have a minimum credit rating. The fair value of the equity derivatives also takes into account equity prices, dividends, equity volatility, and the correlations of equity returns. Derivatives are classified as Level 2.

Real estate owned: Real estate owned, which consists of real estate acquired in settlement of mortgage-loans in a grantor trusts, is recorded at fair value. Subsequent to foreclosure, gains or losses resulting from the sale of these properties are credited or charged to realized gains or losses, and gains or losses recognized on the periodic re-evaluations of these properties are credited or charged to unrealized gains or losses. The cost of maintaining and operating these properties is expensed as incurred. Real estate owned is classified as Level 3 securities.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the portfolio by inputs used as of December 31, 2015, in valuing the Fund's investments carried at fair value:

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

	Investment in Securities			
	Level 1	Level 2	Level 3	Balance 12/31/15
Investment Securities:				
Puerto Rico Tax-Exempt Obligations	\$ -	\$ 843,363	\$ -	\$ 843,363
Puerto Rico Agencies Bonds and Notes	-	29,043,425	-	29,043,425
AFICA Bond Exempt	-	2,164,171	91,145	2,255,316
Mortgage-Backed Securities	-	-	3,770,997	3,770,997
Puerto Rico GNMA Taxable	-	66,198	-	66,198
Puerto Rico FNMA Taxable	-	383,850	-	383,850
US Government, Agencies, and Instrumentalities	-	30,190,927	-	30,190,927
US Municipals	-	12,269,766	-	12,269,766
Total of investment securities	-	74,961,700	3,862,142	78,823,842
Real estate owned	-	-	45,000	45,000
Total	\$ -	\$ 74,961,700	\$ 3,907,142	\$ 78,868,842

The following is a reconciliation of assets for which Level 3 inputs were used in determining fair value:

	Level 3 Investments Securities								
	Balance as of 12/31/14	Realized gain (loss)	Change in Unrealized (depreciation)/ appreciation	Net amortization/ accretion	Purchases	Sales/Calls	Paydowns	Transfers in (out) to Level 3	Balance as of 12/31/15
Doral Participation Certificate	\$ 4,513,656	\$ -	\$ (318,120)	\$ -	\$ -	\$ -	\$ (424,539)	\$ -	\$ 3,770,997
Ashford Presbyterian Community Hospital Parking Project	89,741	-	1,404	-	-	-	-	-	91,145
Total	\$ 4,603,397	\$ -	\$ (316,716)	\$ -	\$ -	\$ -	\$ (424,539)	\$ -	\$ 3,862,142

Quantitative Information about Level 3 Fair Value Measurements:

	Fair Value at December 31, 2015	Valuation Technique	Unobservable Inputs	Price
Investment Securities:				
Doral Participation Certificate	\$ 3,770,997	Discounted Cash Flow	Constant prepayment rate Probability of default Loss severity Discount rate	1.91% 37.35% 5.00% 14.30%
Ashford Presbyterian Community Hospital Parking Project	91,145	Third Party Vendor	Evaluated Quotes	\$91.15
	<u>\$ 3,862,142</u>			
	Fair Value at December 31, 2015	Valuation Technique		
Real estate owned	45,000	External Appraisal, adjusted w hen necessary		
Total	<u>\$ 3,907,142</u>			

Changes in unrealized gains and losses included in the Statement of Operations relating to investments classified as Level 3 that are still held at December 31, 2015, amounted to a net unrealized depreciation of \$316,716.

Transfers to Level 3 reflect securities where there is a lack of transparency of prices due to lack of trading activity or comparable securities. The Fund's policy is to recognize transfers in and out as of the end of the reporting period of the event or change in circumstances that caused the transfer. There were no transfers during the year ended December 31, 2015.

Temporary cash investments are valued at amortized cost, which approximates market value.

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

Taxation

As a registered investment company under the Puerto Rico Investment Companies Act, the Fund will not be subject to Puerto Rico income tax for any taxable year if it distributes at least 90% of its taxable net investment income for such year, as determined for these purposes. Accordingly, as the Fund intends to meet this distribution requirement, the income earned by the Fund is not subject to Puerto Rico income tax at the Fund level.

The Fund can invest in taxable and tax-exempt securities. In general, distributions of taxable income dividends, if any, to Puerto Rico individuals, estates, and trusts are subject to a withholding tax of (i) 10% in the case of dividends distributed before July 1, 2014, and (ii) 15% in the case of dividends distributed after June 30, 2014, if certain requirements are met. Moreover, distribution of capital gains dividends, if any, to (a) Puerto Rico individuals, estates, and trusts are subject to a tax of (i) 10% in the case of dividends distributed before July 1, 2014, and (ii) 15% in the case of dividends distributed after June 30, 2014, and (b) Puerto Rico corporations are subject to a tax of (i) 15% in the case of dividends distributed before July 1, 2014, and (ii) 20% in the case of dividends distributed after June 30, 2014. Tax withholdings are effected at the time of payment of the corresponding dividend. Otherwise, taxable distributions will be subject to regular income tax. Individual shareholders may be subject to alternate basic tax on certain fund distributions. Certain Puerto Rico entities receiving taxable income dividends are entitled to claim an 85% dividends received deduction. Fund shareholders are advised to consult their own tax advisers.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax return to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as a tax benefit or expense in the current year. Management has analyzed the Fund's tax positions taken on its Puerto Rico income tax returns for all open tax years (the current and prior three (3) tax years) and has concluded that there are no uncertain tax positions. On an ongoing basis, management will monitor the Fund's tax position to determine if adjustments to this conclusion are necessary.

Statement of Cash Flows

The Fund issues its shares, invests in securities, and distributes dividends from net investment income and net realized gains which are paid in cash. These activities are reported in the Statements of Changes in Net Assets. Additional information on cash receipts and payments is presented in the Statement of Cash Flows.

Accounting practices that do not affect the reporting of activities on a cash basis include carrying investments at fair value and amortizing premiums or discounts on debt obligations. Cash, as presented on the Statement of Assets and Liabilities, does not include short-term investments.

Dividends and Distributions to Shareholders

Dividends from net investment income are declared and paid monthly. The Fund may at times pay out less than the entire amount of net investment income earned in any particular period and may at times pay out such accumulated undistributed income earned in other periods, in order to permit the Fund to have a more stable level of distribution. The capital gains realized by the Fund, if any, may be retained by the Fund, as permitted by the Puerto Rico Internal Revenue Code of 2011, as amended, unless the Fund's Board of Directors, acting through the Dividend Committee, determines that the net capital gains will also be distributed. The Fund records dividends on the ex-dividend date.

Derivative Instruments

In order to attempt to hedge various portfolio positions, to manage its costs of funds or to enhance its return, the Fund invests in certain instruments which are considered derivatives. Because of their increased volatility and potential leveraging effect, derivative instruments may adversely affect the Fund. The use of these instruments for income enhancement purposes subjects the Fund to risks of losses which would not be offset by gains on other portfolio assets or acquisitions. There is no assurance that the Investment Adviser will employ any derivative strategy, and even where such derivatives investments are used for hedging purposes, there can be no assurance that the hedging transactions will be successful or will not result in losses.

Specifically, the Fund enters into interest rate swap agreements that involve an agreement between two (2) parties to exchange payments that are based, respectively, on indices or specific securities or other assets, such as variable and fixed rates that are calculated on the basis of a specified amount of principal (the "notional principal amount") for a specific period of time. The Fund usually enters into interest rate swaps on a net basis (*i.e.* the two (2) payment streams are netted out), with the Fund receiving or paying, as the case may be, only the net amount of the two (2) payments.

The Fund currently utilizes interest rate swaps as the predominant derivative hedging and income strategy. For income, the Fund generally enters into floating rate swaps where it receives a fixed rate payment and pays a floating rate generally based on LIBOR. The positive income received from the swap is subject to risk, should LIBOR increase during the term of the swap. These swaps may also include an option for the counterparty to cancel the swap that results in a higher effective interest rate for the Fund. During the fiscal year, the Fund did not have any income swaps outstanding.

In an attempt to protect the interest rate cost of its leverage program, the Fund generally enters into fixed to floating rate swaps. The Fund pays a fixed cost for a predetermined number of years and receives, in exchange, a floating rate payment generally based on an observable index such as LIBOR. If the index increases, the floating rate increases, thus offsetting the corresponding increase in the Fund's leverage cost if not cancelled by the counterparty on the next callable date. The Fund may grant the counterparty an option to cancel the swap before its contractual obligation, if such option results in a lower fixed rate payment by the Fund. If, on the other hand, the index decreases, the floating rate payment will decrease, reducing the benefit of lower interest rates on the leverage program.

Subject to market conditions, the Fund will also enter into floating to fixed rate swaps. These swaps may have the effect of neutralizing the negative cost of the original fixed to floating rate swaps. If the index decreases, the floating rate payment made by the Fund decreases, offsetting the decrease in the floating rate payment received by the Fund in the original fixed rate swap, if not cancelled by the counterparty. On the other hand, if the index increases, the floating rate payment on the neutralizing swap will increase, offsetting the benefit of the increase in the floating rate received from the fixed rate swap. The Fund may grant the counterparty an option to cancel the swap before its contractual termination if such option results in a more advantageous fixed rate for the Fund. During the fiscal year, the Fund did not have any neutralizing swaps outstanding.

The Fund is subject to master netting agreements or similar arrangements that allow for amounts owed between the Fund and a counterparty to be netted upon an early termination. The party that has the larger payable, pays the excess of the larger amount over the smaller amount to the other party. The master netting agreements or similar arrangements do not apply to amounts owed to/from different counterparties.

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

The following table presents the Fund's swaps by counterparty and the related collateral pledged by the Fund at December 31, 2015:

Counterparty	Gross Amount of Swap Presented in the Statement of Assets and Liabilities	Swap Available for Offset	Collateral Posted (a)	Net Amount Due To Counterparty (not less than zero)
JP Morgan, New York	\$ 142,508	\$ -	\$ 142,508	\$ -

(a) Collateral received or posted is limited to the net swap liability amounts. See below for actual collateral received and posted.

At December 31, 2015, investment securities amounting to \$273,758 were pledged as collateral for swap agreements. The counterparties have the right to sell or repledge the assets during the term of the swap agreement. Amounts payable on interest rate swaps amounted to \$3,824 at December 31, 2015.

These types of transactions subject the Fund to the risk that a counterparty will default on its obligation to the Fund. The Fund attempts to control such risk by entering into these transactions only with banks and recognized securities dealers believed by Fund management to present minimal risk in accordance with the guidelines of the Board of Directors. These types of transactions are also subject to market risk as interest rates and market prices fluctuate. The related market risk exceeds related amounts on the Statement of Assets and Liabilities. The credit exposure is represented by the fair value of the instruments with a positive market value and may change as the fair value of the instrument changes. The Fund may enter into additional transactions as market conditions change.

GAAP requires disclosure surrounding the various inputs that are used in determining the fair value of the Fund's interest rate swaps. These swaps are classified as Level 2, as fair value is measured using a combination of observable market data inputs and calculated inputs from market data. The market data includes LIBOR rates, yield curves and volatility.

The Fund is a party to ISDA (International Swap and Derivatives Association, Inc.) Master Agreements ("Master Agreements") with certain counterparties that govern over-the-counter derivative contracts entered into from time to time. The Master Agreements may contain provisions regarding, among other things, the parties' general obligations, representations, agreements, collateral requirements, events of default, and early termination. Generally, collateral can be in the form of cash or debt securities issued by the U.S. Government or related agencies or other securities as agreed to by the Fund and the applicable counterparty. Collateral requirements are determined based on the Fund's net position with each such counterparty. Termination events applicable to the Fund may occur in certain instances specified in the Master Agreements, which may include, among other things, a specified decline in the Fund's net asset value or the termination of the Fund's Investment Adviser. In each case, upon occurrence, the counterparty may elect to terminate the swap early and cause the settlement of all or some of the derivative contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably determined by the terminating party. Any decision by one or more of the Fund's counterparties to elect early termination could impact the Fund's future derivative activity.

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

At December 31, 2015, the Fund had a net liability position of \$142,508 on derivative contracts subject to the Master Agreements. The Fund maintained collateral with the swap counterparty in the amount of \$273,758 related to market valuations on the open derivative contracts at December 31, 2015.

Certain of the Fund's derivative instruments contain provisions that require the Fund to maintain minimum net asset value levels. If the Fund's net asset values were to decline below certain specified net asset value levels, the counterparties may declare an early termination event on any or all transactions with the Fund. The aggregate fair value of all derivative instruments with minimum net asset value level contingent features that are in a liability position on December 31, 2015 is \$142,508 for which the Fund has posted collateral of \$273,758 in the normal course of business. To the extent such termination resulted in a net liability to the Fund, the collateral held by any such counterparty may be liquidated and netted against the amounts owed by the Fund to such counterparty. During the fiscal year ended, the Fund complied with the applicable NAV thresholds.

The Fund manages the credit component of the swaps through various mechanisms. Counterparties must have a minimum credit rating (the higher of S&P, Moody's, and/or Fitch), currently "A", or credit support from another entity. The swaps are executed pursuant to signed ISDA Master Agreements that may include a Credit Support Annex (CSA). The economic terms of each swap transaction is documented in a written confirmation. Equity linked swaps have additional covenants included in the confirmation. In the event the counterparty is downgraded below "A", the swap must either be transferred to another "A" or better counterparty or the credit exposure must be collateralized with eligible collateral as defined in the CSA. Based on management's evaluation, at December 31, 2015, no adjustment for non-performance risk is necessary.

The following is the fair value of the open swap positions as of December 31, 2015:

Level 2	Fair Value	
	Assets	Liabilities
Interest rate swaps	\$ -	\$ 142,508

Changes in the value of the open swap agreements are reported separately in the Statement of Assets and Liabilities and as a change in unrealized net appreciation (depreciation) on swaps in the Statement of Operations.

The following table presents the value of swap agreements held as of December 31, 2015 by their primary risk exposure and respective location on the Statement of Assets and Liabilities (amounts in thousands):

Counterparty	Notional Amount (#)	Fair Value (#)	To be Received		To be Paid		Effective Date	Expiration Date	Next Callable Date
			Rate at 12/31/2015	Type	Rate at 12/31/2015	Type			
Interest Rate Contracts:									
JP Morgan, New York	\$ 11,550	\$ (143)	0.42%	V	1.70%	F	05/24/10	05/24/17	Non-callable
Total asset amount		-							
Total liability amount		(143)							
Total net amount		\$ (143)							

Amount in thousands of dollars.

F Fixed.

V Variable, 1 Month LIBOR.

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

The Fund's average notional balance of swaps during the year was approximately \$16,679,041. The only swap outstanding at year-end is a pay fixed rate swap with an ending notional balance of \$11,550,000.

The following table presents the effect (in thousands) of swap agreements on the Statement of Operations for the fiscal year ended December 31, 2015, by primary underlying risk exposure:

Amount of realized loss and change in unrealized net value on swap agreements recognized in income*:

Derivative type	Realized Loss	Change in Unrealized Net Value
Interest rate contracts	\$ (472)	\$ 288

* Refer to footnote 10 for a reconciliation of the accounting treatment of the realized loss for tax purposes related to the reclassification of swap periodic payments.

The Fund records collections or periodic payments on interest rate swaps as a component of net realized gain or loss on investments and swaps in the Statement of Operations. For the fiscal year ended December 31, 2015, the Fund made net payments of \$245,891 to swap counterparties. For purpose of dividend distributions and for the determination of compliance with the 90% threshold for purpose of the Fund's tax exemption, net swap periodic payments are included as a component of net investment income. See Note 10 for a reconciliation between taxable and book net investment income.

Securities Sold Under Repurchase Agreements

Under these agreements, the Fund sells securities, receives cash in exchange, and agrees to repurchase the securities at a mutually agreed date and price. Ordinarily, those counterparties with which the Fund enters into these agreements require delivery of collateral and are able to sell or repledge the collateral; however, the Fund retains effective control over such collateral through the agreement to repurchase the collateral on or by the maturity of the repurchase agreement. These transactions are treated as financings and recorded as liabilities. Therefore, no gain or loss is recognized on the transaction, and the securities pledged as collateral remain recorded as assets of the Fund. These agreements involve the risk that the market value of the securities purchased with the proceeds from the sale of securities received by the Fund, may decline below the price of the securities that the Fund is obligated to repurchase, and that the value of the collateral posted by the Fund increases in value and the counterparty does not return it. Because the Fund borrows under repurchase agreements based on the estimated fair value of the pledged assets, the Fund's ongoing ability to borrow under its repurchase facilities may be limited and its lenders may initiate margin calls in the event of adverse changes in the market. A decrease in market value of the pledged assets may require the Fund to post additional collateral or otherwise sell assets at a time when it may not be in the best interest of the Fund to do so.

Short-Term Notes

The Fund has a short-term notes payable program as a funding vehicle to increase the amounts available for investments. The short-term notes may be issued from time to time, in denominations of \$1,000 or as may otherwise be specified in a supplement to the Offering Circular, respectively. The notes are collateralized by the pledge of certain securities of the Fund. The pledged securities are held by UBSTC, as agent for the Fund, for the benefit of the holders of the notes. There are no short-term notes outstanding as of December 31, 2015.

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

Paydowns

Realized gains or losses on mortgage-backed security paydowns are recorded as an adjustment to interest income. During the fiscal year ended December 31, 2015, the Fund had no realized gains/losses on mortgage-backed securities paydowns. The Fund declares and pays monthly dividends from net investment income. For purposes of compliance with the 90% distribution threshold for the Fund's tax exemption, gains and losses related to mortgage-backed security paydowns are not included in net investment income. See Note 10 for a reconciliation between taxable and book net investment income.

Preferred Shares

Pursuant to the Fund's Certificate of Incorporation, as amended and supplemented, the Fund's Board of Directors is authorized to issue up to 2,000,000 preferred shares with a par value of \$25, in one or more series. During the fiscal year ended December 31, 2015, no preferred shares were issued or outstanding.

Other

Security transactions are accounted for on the trade date (the date on which the order to buy or sell is executed). Realized gains and losses on security transactions are determined on the identified cost method. Premiums and discounts on securities purchased are amortized using the interest method over the life or the expected life of the respective securities. Income from interest and dividends from cumulative preferred shares is accrued, except when collection is not expected.

2. Investment Advisory, Administrative, Custodian, Transfer Agency Agreements, and Other Transactions With Affiliates

Pursuant to an investment advisory contract (the "Advisory Agreement") with UBS Asset Managers of Puerto Rico, a division of UBSTC, the Fund receives investment advisory services in exchange for a fee. The investment advisory fee will not exceed 0.75% of the Fund's average weekly gross assets. For the fiscal year ended December 31, 2015, investment advisory fees amounted to \$729,087, equivalent to 0.75% of the Fund's average weekly gross assets. The Investment Advisor voluntarily waived investment advisory fees in the amount of \$359,683, for a net fee of \$369,404, which represents an effective annual rate of 0.38%.

UBSTC also provides administrative, custody, and transfer agency services pursuant to Administration, Custodian, and Transfer Agency, Registrar, and Shareholder Servicing Agreements. UBSTC provides facilities and personnel to the Fund for the performance of its administration duties. For the fiscal year ended December 31, 2015, the gross fee for such services amounted to \$175,399. The administrator and transfer agent waived fees in the amount of \$48,606, for a net fee of \$126,793, which is equivalent to 0.13% of the Fund's average weekly gross assets.

The Fund is not registered under the U.S. Investment Company Act of 1940, as amended, and therefore, is not subject to the restrictions contained therein regarding, among other things, transactions between the Fund and UBS Financial Services Incorporated of Puerto Rico ("UBSFSPR"), or its affiliates ("Affiliated Transactions"). In that regard, the Board of Directors of the Fund adopted a set of Procedures for Affiliated Transactions ("Procedures") in an effort to address potential conflicts of interest that may arise. It is anticipated that Affiliated Transactions will continue to take place in the future and that any Affiliated Transactions will be subject to the Procedures.

UBSFSPR is the Fund's dealer on the offering of short-term notes. No selling fees were paid to UBSFSPR during the fiscal year ended December 31, 2015.

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

Certain Fund officers and directors are also officers and directors of UBSTC. The eight (8) independent directors of the Fund's Board of Directors are paid based upon an agreed fee of \$1,000 per board meeting, plus expenses, and \$500 per Audit Committee meeting, plus expenses. For the fiscal year ended December 31, 2015, the eight (8) independent directors of the Fund were paid an aggregate compensation of approximately \$44,000.

Fund affiliates may have lending, banking, brokerage, underwriting, or other business relationships with the issuers of the securities in which the Fund invests.

The total amount (in thousands) of other affiliated and unaffiliated purchases and sales of investment securities and originations of securities sold under repurchase agreements, listed by counterparty, during the year were as follows:

	Purchases	%	Sales	%	Securities Sold Under Repurchase Agreements	%
UBS Puerto Rico	\$ 8,240	49 %	\$ 3,767	14 %	\$ 44,360	13 %
Unaffiliated	<u>8,460</u>	<u>51 %</u>	<u>23,445</u>	<u>86 %</u>	<u>291,683</u>	<u>87 %</u>
	<u>\$ 16,700</u>	<u>100 %</u>	<u>\$ 27,212</u>	<u>100 %</u>	<u>\$ 336,043</u>	<u>100 %</u>

Interest expense from securities sold under repurchase agreements with UBSFSPR and between affiliated funds during the year amounted to \$17,839.

Interest expense from short-term notes with UBSFSPR and between affiliated funds during the year amounted to \$87,868.

3. Capital Share Transactions

The Fund is authorized to issue up to 98,000,000 common shares, par value \$0.01 per share.

Capital share transactions for the fiscal years ended December 31, 2015 and 2014 were as follows:

Common Shares	2015	2014
Proceeds from the reinvestment of dividends	\$ 47,560	\$ 150,087
Repurchase of shares	<u>(7,940,394)</u>	<u>(15,959,209)</u>
	<u>\$ (7,892,834)</u>	<u>\$ (15,809,122)</u>

Transactions in common shares during the fiscal years ended December 31, 2015 and 2014 were as follows:

Common shares	2015	2014
Common shares - beginning of fiscal year	13,273,379	16,573,687
Shares repurchased	(2,173,057)	(3,332,805)
Shares issued due to the reinvestment of dividends	<u>12,880</u>	<u>32,497</u>
Common shares - end of fiscal year	<u>11,113,202</u>	<u>13,273,379</u>

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

On June 2, 2015, the Fund's Board of Directors authorized the repurchase of the Fund's shares of common stock in the open market, when such shares are trading at or below NAV of the shares up to 49% of the aggregate number of shares of common stock issued by the Fund. On August 13, 2015 the Fund's Board of Directors approved an increase in the maximum amount of shares that can be repurchased by the Fund under the Shares Repurchase Program from 49% to 50%. The Fund repurchased a total of 2,173,057 and 3,332,805 common shares during the fiscal years ended December 31, 2015 and 2014, as follows:

2015:

	Shares Repurchased	Net Asset Value	Cost
Affiliates	1,840,065	\$ 7,871,415	\$ 6,813,722
Non-Affiliates	332,992	1,347,529	1,126,672
Total	2,173,057	\$ 9,218,944	\$ 7,940,394

2014:

	Shares Repurchased	Net Asset Value	Cost
Affiliates	2,812,948	\$ 14,504,018	\$ 13,426,013
Non-Affiliates	519,857	2,765,301	2,533,196
Total	3,332,805	\$ 17,269,319	\$ 15,959,209

The shares repurchased from affiliates include shares held by clients in such affiliate.

The repurchase of shares during the fiscal year ended December 31, 2015 resulted in a NAV increase of \$0.11.

4. Investment Transactions

The cost of securities purchased and proceeds from sales and calls of portfolio securities (in thousands), excluding short-term investments, for the fiscal year ended December 31, 2015 were as follows:

	Purchases	Sales	Calls, Paydowns and Maturities
Puerto Rico Obligations	\$ -	\$ 25,226	\$ 1,141
US Obligations	16,700	1,986	17,030
	\$ 16,700	\$ 27,212	\$ 18,171

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

The following table presents the effect of the investments transactions (in thousands) on the Statement of Operations for the fiscal year ended December 31, 2015:

Amount of realized loss and change in unrealized appreciation (depreciation) on investments transactions:

	Realized Loss	Unrealized Appreciation (Depreciation)
Investments	\$ (18,774)	\$ 2,128

Fitch Ratings ("Fitch"), Moody's Investors Services ("Moody's"), and Standard & Poor's Rating Services ("S&P") have recently downgraded further the general obligation bonds ("GOs") of the Commonwealth of Puerto Rico, as well as the obligations of certain Commonwealth agencies and public corporations, including Puerto Rico Sales Tax Financing Corporation ("COFINA"), on numerous occasions. On June 29, 2015, Fitch further downgraded the GOs and related debt ratings from "B" to "CC." Moody's followed suit on July 1, 2015 downgrading the GOs and COFINA's senior bonds to "Caa3." S&P further downgraded all of the Commonwealth of Puerto Rico's tax-backed debt to "CC" on September 10, 2015. All such ratings carry a negative outlook. Currently, none of the bonds issued by the Commonwealth and its instrumentalities without credit enhancement carry an investment-grade credit rating.

On June 2015, the P.R. Government presented the report "Puerto Rico--A Way Forward," which identified a deteriorating cash flow position and central government budget gaps approaching the size of current year general fund revenues. Subsequently, the Working Group for the Fiscal and Economic Recovery of Puerto Rico (the "Working Group") released the Puerto Rico Fiscal and Economic Growth Plan (the "Plan") recommending the restructuring of all tax-backed debt, including GOs and bonds issued by COFINA. The Plan was amended in January 18, 2016 to reflect an increase in the projected deficit over the first five years by approximately \$2.1 billion. In furtherance of its intention to restructure the \$72 billion debt load, the Government of Puerto Rico enacted the Public Corporations Debt Enforcement and Recovery Act (the "Recovery Act") and is lobbying the U.S. Congress to amend Chapter 9 of the U.S. Bankruptcy Code, to cover the central government and its instrumentalities. The U.S. District Court for the District of Puerto Rico declared the Recovery Act unconstitutional. Such ruling is pending appeal before the U.S. Supreme Court.

On August 2015, the Puerto Rico Public Finance Corporation ("PFC") failed to make a \$58 million payment on its debt, representing the first default on Puerto Rico agency debt. Thereafter, on November 30, 2015, the Governor redirected available revenues from the Highways and Transportation Authority, the Puerto Rico Infrastructure Financing Authority ("AFI"), the Metropolitan Bus Authority, and the Integrated Transport Authority, to make principal and interest payments on GOs, which are guaranteed by the Puerto Rico Constitution. The Puerto Rico Tourism Company was also ordered to transfer amounts collected on certain taxes to the P.R. Treasury, towards the payment of obligations of the Puerto Rico Convention Center District Authority. On December 30, 2015, the Governor announced that the Commonwealth would make all bond payments due on January 4, 2016, except for \$37.3 million in interest corresponding to \$35.9 million of AFI bonds and \$1.4 million of PFC bonds. In this context, one could expect to see additional interruptions in cash flow on debt payments, in addition to more price volatility across Puerto Rico securities, as the results of many of the fiscal and budgetary measures adopted and to be adopted in the future by the Government of Puerto Rico are fully realized and a debt restructuring is implemented. The Fund does not own any bonds issued by PFC but does own AFI bonds amounting to \$500,000 with a fair value of \$72,500 as of December 31, 2015.

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

5. Securities Sold Under Repurchase Agreements

Securities sold under repurchase agreements amounted to \$39,166,000 at December 31, 2015, and related information is as follows:

Weighted average interest rate at the end of the year	0.73 %
Maximum aggregate balance outstanding at any time of the year	\$ 40,007,000
Average balance outstanding during the year	\$ 33,492,036
Average interest rate during the year	0.60 %

At December 31, 2015, interest rates on securities sold under repurchase agreements ranged from 0.59% to 1.25%, with maturity dates up to February 22, 2016.

At December 31, 2015, investment securities amounting to \$42,834,767 were pledged as collateral for securities sold under repurchase agreements. Also, cash due from broker amounting to \$30,000 was pledged as collateral for securities sold under repurchase agreements. The counterparties have the right to sell or repledge the assets during the term of the repurchase agreement with the Fund. Interest payable on securities sold under repurchase agreements amounted to \$19,957 at December 31, 2015.

The Fund may receive securities from certain issuers of investments (notes) held by the Fund, as collateral securing the payment of principal and interest thereon (as well as all other obligations arising from the issuance of such note). Although the Fund is permitted by contract to repledge and/or grant security interests on these securities, the corresponding issuer of each note maintains effective control thereon. Prior to the maturity date of any such note and on certain specific dates, its issuer may require the Fund to purchase the securities posted as collateral thereof. As of December 31, 2015, there were no collateral securities received as part of the investments by the Fund in such notes.

The following table presents the Fund's repurchase agreements by counterparty and the related collateral pledged by the Fund at December 31, 2015:

Counterparty	Gross Amount of Securities Sold Under Repurchase Agreements Presented in the Statement of Assets and Liabilities	Securities Sold Under Repurchase Agreements Available for Offset	Collateral Posted (a)	Net Amount Due To Counterparty (not less than zero)
Cantor Fitzgerald, New York	\$ 15,015,000	\$ -	\$ 15,015,000	\$ -
Citigroup, New York	2,525,000	-	2,525,000	-
JP Morgan, New York	2,119,000	-	2,119,000	-
Nomura Securities International, New York	1,602,000	-	1,602,000	-
UBS, New Jersey (+)	17,905,000	-	17,905,000	-
TOTAL	\$ 39,166,000	\$ -	\$ 39,166,000	\$ -

(+) affiliate of the Fund.

(a) Collateral received or posted is limited to the net securities sold under repurchase agreements liability amounts. See above for actual collateral received and posted.

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

6. Short-Term Notes

There were no short-term notes outstanding as of December 31, 2015. However, related information is as follows:

Maximum aggregate balance outstanding at any time of the year	<u>\$ 24,210,000</u>
Average balance outstanding during the year	<u>\$ 11,946,156</u>
Average interest rate during the year	<u>0.81 %</u>

7. Short-Term Financial Instruments

The fair value of short-term financial instruments, which includes \$39,166,000 of securities sold under repurchase agreements, are substantially the same as the carrying amount reflected in the Statement of Assets and Liabilities, as these are reasonable estimates of fair values, given the relatively short period of time between origination of the instrument and their expected realization.

8. Concentration of Credit Risk

Concentration of credit risk that arises from financial instruments exists for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentration of credit risk arises from the Fund's investment securities in relation to the location of the issuers of such investment securities. For calculating concentration, all securities guaranteed by the U.S. Government or any of its subdivisions are excluded. At December 31, 2015, the Fund had investments with an aggregate market value of approximately \$35,913,101, which were issued by entities located in the Commonwealth of Puerto Rico and are not guaranteed by the U.S. Government or any of its subdivisions, of which \$29,043,425 are issued or guaranteed by the Commonwealth of Puerto Rico or its subdivisions, including Revenue Bonds. Also, at December 31, 2015, the Fund had investments with an aggregate market value amounting to \$12,269,766, which were issued by various agencies and municipalities located in the United States and not guaranteed by the U.S. Government.

The value of fixed income securities, such as those in which the Fund may invest, generally can be expected to fall when interest rates rise and to rise when interest rates fall. Interest rate risk is the risk that interest rates will rise, and that as a result, the value of the Fund's investments will fall. The Fund is subject to interest rate risk. Prices of longer term fixed income securities generally change more in response to interest rate changes, than prices of shorter term fixed income securities. Because the Fund will invest primarily in long term fixed income securities, the net asset value and market price per share of its common stock will fluctuate more in response to changes in market interest rates than if the Fund invested primarily in shorter term fixed income securities.

As stated in its Prospectus for common stock, the Fund will ordinarily invest at least 67% of its total assets in securities issued by Puerto Rico issuers (the "67% Investment Requirement"). These include securities issued by the Commonwealth of Puerto Rico and its political subdivisions, organizations, agencies, and instrumentalities, Puerto Rico mortgage-backed and asset-backed securities, corporate obligations and preferred stock of Puerto Rico entities, and other securities, consistent with the Fund's investment objective and policies as defined in such Prospectus (the "Puerto Rico Securities"). Therefore, the Fund is more susceptible to factors affecting issuers of

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

Puerto Rico Securities than an investment company that is not concentrated in Puerto Rico Securities to such degree.

9. Investment and Other Requirements and Limitations

The Fund is subject to certain requirements and limitations related to investments and leverage. Some of these requirements and limitations are imposed by statute or by regulation, while others are imposed by procedures established by the Board of Directors. The most significant requirements and limitations are discussed below.

The Fund must invest at least 67% of its total assets in Puerto Rico Securities. Up to 33% of its total assets may be invested in securities issued by the U.S. Government, its political subdivisions, its agencies and instrumentalities, and municipal securities issued in the United States. From time to time, the Fund may not comply with the 67% Investment Requirement due to a lack of availability of acceptable Puerto Rico Securities.

The Fund's leverage, as measured in relation to total assets, may not exceed 50%. Should this ratio be exceeded, the Fund is precluded from further leverage transactions until the maximum 50% ratio is restored. In addition, the Fund may also borrow for temporary or emergency purposes in an amount of up to an additional 5% of its total assets.

The Fund may issue preferred stock, debt securities and other forms of leverage to the extent that immediately after their issuance, the value of the Fund's total assets less all the Fund's liabilities and indebtedness which are not represented by preferred stock, debt securities, or other forms of leverage being issued or already outstanding, is equal to or greater than 200% of the aggregate par value of all outstanding preferred stock (not including any accumulated dividends or other distributions attributable to such preferred stock) and the total amount outstanding of debt securities and other forms of leverage.

The Fund has obtained temporary waivers through July 31, 2016 from the Puerto Rico Office of the Commissioner of Financial Institutions with respect to its Puerto Rico asset investments and leverage limitations. Although these waivers provide temporary relief to the Fund from having to limit or otherwise change the strategy of its investment or leverage transactions, there is no guarantee that the Fund will receive further relief beyond July 31, 2016. If further relief is not granted, the Fund would have to use proceeds derived from the sale, exchange, prepayment, maturity, or any voluntary or involuntary disposition of an asset to re-achieve compliance with the 67% investment requirement in Puerto Rico assets, and would not be able to renew leverage beyond its leverage limitations. In addition, based on the representations and opinion of the Fund's investment adviser and consistent with the Fund's investment objective, the Puerto Rico Office of the Commissioner of Financial Institutions has also granted no-objection relief with respect to the Fund's investment-grade credit rating requirement for Puerto Rico securities, which permit the Fund to continue to invest in Puerto Rico municipal securities that do not have an investment grade credit rating, under certain conditions, at the discretion of the Fund's investment adviser. These temporary waivers and no-objection relief may be renewed by the Puerto Rico Office of the Commissioner of Financial Institutions for additional periods of time, should market conditions warrant, and upon written request by the Fund. It is the Fund's intention to re-comply with these requirements as soon as market conditions permit, but there is no assurance as to whether and when the Fund will be able to do so.

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

10. Reconciliation Between Taxable and Book Net Investment Income

As a result of certain reclassifications made for financial statements presentation, the Fund's net investment income according to the financial statements is not the same net investment income for income tax purposes, as follows:

Net investment income	\$ 6,383,327
Reclassification of swap periodic payments	<u>(245,891)</u>
Net investment income for tax purposes	<u>\$ 6,137,436</u>

The basis for the dividend distributions is the net investment income for tax purposes, as determined above. The Fund's policy, as stated in the Prospectus, is to distribute substantially all net investment income. In order to maintain a stable level of dividends, however, the Fund may at times pay more or less than the net investment income earned in a particular year.

For the fiscal year ended December 31, 2015, the Fund had distributed \$6,652,680 for tax purposes. The undistributed net investment income (for tax purposes) at December 31, 2015 was as follows:

Undistributed net investment income for tax purposes at the beginning of the year	\$ 6,657,076
Net investment income for tax purposes	6,137,436
Dividends paid to common shareholders	<u>(6,652,680)</u>
Undistributed net investment income for tax purposes at the end of the year	<u>\$ 6,141,832</u>

Undistributed net investment income for tax purposes at December 31, 2015 includes \$6,047,469 exempt from income taxes.

11. Risks and Uncertainties

The Fund is exposed to various types of risks, such as geographic concentration, industry concentration, non-diversification, interest rate, and credit risks, among others. This list is qualified in its entirety by reference to the more detailed information provided in the offering documentation for the securities issued by the Fund.

The Fund is exposed to certain risks resulting from the reduced geographic diversification of its portfolio. The Fund's assets are invested primarily in securities of Puerto Rico issuers. Consequently, the Fund in general is more susceptible to economic, political, regulatory, or other factors adversely affecting issuers in Puerto Rico than an investment company that is not so concentrated in Puerto Rico issuers.

A relatively high percentage of the Fund's assets may be invested in obligations of a limited number of Puerto Rico issuers. Consequently, the Fund's net asset value and its yield may increase or decrease more than that of a more diversified investment company as a result of changes in the market's assessment of the financial condition and prospects of such Puerto Rico issuers. The Fund may also be more susceptible to any single economic, political, or regulatory occurrence in Puerto Rico than a more widely diversified investment company.

Interest rate risk is the risk that interest rates will rise so that the value of the Fund's investments will fall. Current low long-term rates present the risk that interest rates may rise, and that as a result, the Fund's investments will decline in value. Also, the Fund's yield will tend to lag behind changes in

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

prevailing short-term interest rates. In addition, during periods of rising interest rates, the average life of certain types of securities may be extended because of the right of the issuer to defer payments or make slower than expected principal payments. This may lock-in a below market interest rate, increase the security's duration (the estimated period until the security is paid in full), and reduce the value of the security. This is known as extension risk, which the Fund is also subject to. Conversely, during periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled in order to refinance at lower interest rates, forcing the Fund to reinvest in lower yielding securities. This is known as pre-payment risk, which the Fund is also subject to.

Credit risk is the risk that debt securities or preferred stock in the Fund's portfolio will decline in price or fail to make dividend or interest payments when due, because the issuer of the security experiences a decline in its financial condition. The risk is greater in the case of securities rated below investment grade, or rated in the lowest investment grade category. Fund investments in preferred stock present certain special risks. One of them is that the issuers of preferred stock are not legally required to pay dividends when scheduled, even if they have sufficient funds to do so, and therefore these securities have greater payment risk than other securities in which the Fund may invest. In the case of cumulative preferred stock, missed dividends only have to be paid upon the liquidation of the company, and only after payment of the company's creditors. In the case of non-cumulative preferred stock, missed dividends never have to be paid. Preferred stock is also subordinated in right of payment to all other creditors of the issuer, and therefore is subject to greater credit risk than debt instruments.

The Fund may engage in repurchase agreements, which are transactions in which the Fund sells a security to a counterparty and agrees to buy it back, at a specified time and price, in a specified currency. Repurchase agreements involve the risk that the buyer of the securities sold by the Fund might be unable to deliver the securities when the Fund seeks to repurchase them and may be unable to replace the securities, or only at a higher cost.

Because the Fund borrows under repurchase agreements based on the estimated fair value of the pledged assets, the Fund's ongoing ability to borrow under its repurchase facilities may be limited and its lenders may initiate margin calls in the event of adverse changes in the market. A decrease in market value of the pledged assets may require the Fund to post additional collateral or otherwise sell assets at a time when it may not be in the best interest of the Fund to do so.

Mortgage-backed securities in which the Fund may invest have many of the risks of traditional debt securities but, in general, differ from investments in traditional debt securities in that, among other things, principal may be prepaid at any time due to pre-payments by the obligors on the underlying obligations. As a result, the Fund may receive principal repayments on these securities earlier or later than anticipated by the Fund. In the event of pre-payments that are received earlier than anticipated, the Fund may be required to reinvest such pre-payments at rates that are lower than the anticipated yield of the prepaid obligation. The rate of pre-payments is influenced by a variety of economic, geographic, demographic, and other factors, including, among others, prevailing mortgage interest rates, local and regional economic conditions, and home owner mobility. Since a substantial portion of the assets of the Fund may be invested in mortgage-backed securities at any time, the Fund may be subject to these risks and other risks related to such securities to a significant degree, which might cause the market value of the Fund's investments to fluctuate more than otherwise would be the case. Collateralized mortgage obligations or "CMOs" exhibit similar risks to those of mortgage-backed securities but also present certain special risks. CMO classes may be specially structured in a manner that provides a variety of investment characteristics, such as yield, effective maturity, and interest rate sensitivity. As market conditions change, however, particularly during periods of rapid or unanticipated changes in interest rates, the ability of a CMO class to

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

provide the anticipated investment characteristics and performance may be significantly reduced. These changes may result in volatility in the market value, and in some instances, reduced liquidity of the CMO class.

The Fund may also invest in illiquid securities which are securities that cannot be sold within a reasonable period of time, not to exceed seven (7) days, in the ordinary course of business at approximately the amount at which the Fund has valued the securities. There presently are a limited number of participants in the market for certain Puerto Rico securities or other securities or assets that the Fund may own. That and other factors may cause certain securities to have periods of illiquidity. Illiquid securities may trade at a discount from comparable, more liquid investments.

There may be few or no dealers making a market in certain securities owned by the Fund, particularly with respect to securities of Puerto Rico issuers including, but not limited to, investment companies. Dealers making a market in those securities may not be willing to provide quotations on a regular basis to the Investment Adviser. It may therefore be particularly difficult to value those securities. When market quotations for securities held by the Fund are not readily available from any such independent dealers, UBSTC as the Fund's Administrator, is responsible for obtaining quotations for such securities from various sources, including UBSFSPR. As a result, the interests of UBSFSPR may conflict with those of the Fund as to the price and other terms of transactions among them.

In order to attempt to hedge various portfolio positions to manage its cost of funds or to enhance its return, the Fund may invest a portion of its total assets in certain instruments which are or may be considered derivatives. Because of their increased volatility and potential leveraging effect (without being subject to the Fund's leverage limitations), derivative instruments may adversely affect the Fund. For example, investments in indexed securities, including, among other things, securities linked to an equities or commodities index and inverse floating rate securities, may subject the Fund to the risks associated with changes in the particular indices, which may include reduced or eliminated interest payments and losses of invested principal. Such investments, in effect, may also be leveraged, thereby magnifying the risk of loss.

12. Commitments and Contingencies

The Fund, its Board of Directors, UBSFSPR, and UBSTC are subject to legal proceedings, claims, and litigation arising in the ordinary course of business. While the outcome of these matters is currently not determinable, management does not expect that the ultimate outcome of these matters will have a material adverse effect on the Fund's financial position, results of operations or cash flows. Management of UBSFSPR and UBSTC have informed the Fund of its belief that the resolution of such matters is not likely to have a material adverse effect on the ability of UBS Asset Managers of Puerto Rico and UBSTC to perform under their respective contracts with the Fund.

On February 5, 2014, a shareholder derivative action was filed in Puerto Rico local court against the Fund, UBS Financial Services Inc., UBSFSPR, UBSTC, and all current and certain former Fund directors, alleging that the Fund suffered hundreds of millions of dollars in losses due to alleged mismanagement, concealment of conflicts of interest, and improper recommendations by certain defendants to retail customers to use credit lines to purchase Fund shares. On May 5, 2015 the court denied defendants' motion to dismiss. On June 2015, defendants filed petitions for certiorari with the Puerto Rico Court of Appeals, requesting interlocutory review of the lower court's denial of the motion to dismiss. On July 2015 the Puerto Rico Court of Appeals denied defendants' petitions for certiorari, and on September 21, 2015 denied defendants' motion for reconsideration of that denial. On January 22, 2016 the Puerto Rico Supreme Court denied defendants' petition for certiorari. Defendants have filed a motion for reconsideration of the petition. Also, on August 24, 2015 defendants answered the

Tax-Free Puerto Rico Fund, Inc.
Notes to Financial Statements
December 31, 2015

complaint. While the outcome of these allegations is currently not determinable, management does not expect that the ultimate outcome of these matters will have a material adverse effect on the Fund's financial position, results of operations, or cash flows. Moreover, management of UBSFSPR and UBSTC has informed the Fund of its belief that the resolution of such matter is not likely to have a material adverse effect on the ability of UBS Asset Managers of Puerto Rico and UBSTC to perform under their respective contracts with the Fund.

13. Indemnifications

In the normal course of business, the Fund enters into contracts that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses for indemnification and expects the risk of loss to be remote.

14. Subsequent Events

Events and transactions from January 1, 2016 through March 21, 2016 (the date the financial statements were available to be issued) have been evaluated by management for subsequent events. Management has determined that there were no material events that would require adjustment to or disclosure in the Fund's financial statements through this date, except as disclosed below.

Dividends:

On January 31, 2016, the Board of Directors, acting through the Dividend Committee, declared an ordinary net investment income dividend of \$0.04375 per common share, totaling \$486,203 and payable on February 10, 2016, to common shareholders of record as of January 31, 2016.

On February 29, 2016, the Board of Directors, acting through the Dividend Committee, declared an ordinary net investment income dividend of \$0.04167 per common share, totaling \$463,087 and payable on March 10, 2016, to common shareholders of record as of February 29, 2016.

(This page intentionally left blank)



Independent Auditor's Report

To the Board of Directors and Stockholders of
Tax-Free Puerto Rico Fund, Inc.

We have audited the accompanying financial statements of the Tax-Free Puerto Rico Fund, Inc. ("the Fund"), which comprise the statement of assets and liabilities, including the schedule of investments as of December 31, 2015, and the related statements of operations and of cash flows for the year then ended, of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the two years in the period then ended, for the period from February 1, 2013 to December 31, 2013 and for each of the two years in the period ended January 31, 2013. These financial statements and financial highlights are hereafter collectively referred to as "financial statements".

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tax-Free Puerto Rico Fund, Inc. at December 31, 2015, and the results of its operations and its cash flows for the year then ended, the changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the two years in the period then ended, for the period from February 1, 2013 to December 31, 2013 and for each of the two years in the period ended January 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

San Juan, Puerto Rico
March 21, 2016

CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)
License No. LLP-216 Expires Dec. 1, 2016
Stamp E199638 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

INVESTMENT ADVISER

UBS Asset Managers of Puerto Rico,
a division of UBS Trust Company of Puerto Rico
250 Muñoz Rivera Avenue, 10th Floor
San Juan, Puerto Rico 00918

ADMINISTRATOR, TRANSFER AGENT, AND CUSTODIAN

UBS Trust Company of Puerto Rico
250 Muñoz Rivera Avenue, 10th Floor
San Juan, Puerto Rico 00918

U.S. LEGAL COUNSEL

Sidley, Austin, Brown & Wood, LLP
787 Seventh Avenue
New York, New York 10019

INDEPENDENT AUDITORS

Pricewaterhouse Coopers, LLP
Oriental Tower, 9th Floor
254 Muñoz Rivera Avenue
San Juan, Puerto Rico 00918

DIRECTORS AND OFFICERS

Carlos V. Ubiñas
Director, Chairman of the Board and President

Miguel A. Ferrer¹
Director

Mario S. Belaval
Director

Agustín Cabrer-Roig
Director

Gabriel Dolagaray Balado
Director

Carlos Nido
Director

Luis M. Pellot-González
Director

Vicente J. León
Director

Clotilde Pérez
Director

José J. Villamil
Director

Leslie Highley, Jr.
Senior Vice President

Ricardo Ramos²
First Vice President, Treasurer and Assistant Secretary

William Rivera
First Vice President and Treasurer

Javier Rodríguez
Assistant Vice President and Assistant Treasurer

Liana Loyola, Esq.
Secretary

Remember that:

- Mutual Fund's units are not bank deposits or FDIC insured.
- Mutual Fund's units are not obligations of or guaranteed by UBS Financial Services Incorporated of Puerto Rico or any of its affiliates.
- Mutual Fund's units are subject to investment risks, including possible loss of the principal amount invested.

¹ Mr. Ferrer resigned from his position as Director effective on May 28, 2015.

² Mr. Ramos resigned from his position as First Vice President, Treasurer and Assistant Secretary effective on May 31, 2015.



TAX - FREE
PUERTO RICO
FUND