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POPULAR INC
Form 11-K
June 29, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 11-K

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

For the fiscal year ended December 31, 2003

or

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

For the transition period from _____ to _____

Commission file number 0-13818

POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN

(Full title of the Plan and address of the Plan, if
different from that of the issuer named below)

POPULAR, INC.

209 MUNOZ RIVERA AVENUE
HATO REY, PUERTO RICO 00918

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

POPULAR, INC. U.S.A. PROFIT
SHARING/401(k) PLAN
FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE
DECEMBER 31, 2003 AND 2002

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POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN
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* Other supplementary schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrator of
Popular, Inc. U.S.A. Profit Sharing/401(k) Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Popular, Inc. U.S.A. Profit Sharing/401(k) Plan (the "Plan") at December 31, 2003 and 2002 and the changes in net assets available for benefits for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

/s/ PricewaterhouseCoopers LLP
New York, NY
June 25, 2004

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POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	DECEMBER 31,	
	2003	2002
ASSETS		
Investments (see Note 4)	\$48,947,506	\$35,201,894
Cash	--	13,132
Receivables:		
Employer's contribution	811,214	620,004
Participants' contributions	156,448	118,902
Interest and other receivables	33,252	12,279
Due from broker for securities sold	--	798
	-----	-----
TOTAL RECEIVABLES	1,000,914	751,983
	-----	-----
TOTAL ASSETS	49,948,420	35,967,009
	-----	-----
LIABILITIES		
Refundable contributions	\$ 296,395	\$ 182,454
Due to broker for securities purchased	225,214	184,176
	-----	-----
TOTAL LIABILITIES	521,609	366,630
	-----	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$49,426,811	\$35,600,379
	=====	=====

See accompanying notes to the financial statements.

POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 YEAR ENDED DECEMBER 31, 2003

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

Investment income	
Net appreciation in fair value of investments (See Note 4)	\$10,153,512
Dividends	230,346
Interest income, investments	92,310
Interest income, participants' loans	76,807

	10,552,975

Contributions:

Participant	3,911,193
Rollovers from external sources	662,425
Employer	2,079,949
Transfers in - other plans	1,365,875

	8,019,442

Total additions	18,572,417

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

Benefits paid to participants	4,443,140
Refunded contributions	296,395
Administrative expenses	6,450

Total deductions	4,745,985

Net increase	13,826,432
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NET ASSETS AVAILABLE FOR PLAN BENEFITS:

Beginning of year	35,600,379

End of year	\$49,426,811
	=====

See accompanying notes to the financial statements.

POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2003 AND 2002

1. DESCRIPTION OF THE PLAN

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The following brief description of the Popular, Inc. U.S.A. Profit Sharing/401(k) Plan (the "Plan") provides only general information. Popular, Inc. is the sponsor of the Plan. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

GENERAL

Pioneer Bank & Trust Company Profit Sharing Plan (the "Pioneer Plan") was established on January 1, 1972, as a qualified defined contribution plan. The Pioneer Plan was amended and restated, effective January 1, 1976 and again restated, effective July 1, 1982, to comply with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). On July 1, 1989, the Pioneer Plan was amended to include a cash or deferred arrangement under Section 401(k) of the Internal Revenue Code ("401(k)"). The Pioneer Plan sponsor was Banco Popular, Illinois, a wholly-owned subsidiary of Popular, Inc.

On March 1, 1997, the Pioneer Plan was restated and converted into a defined contribution participant-directed plan under the name of BanPonce U.S.A. Profit Sharing/401(k) Plan. On October 14, 1998, certain provisions related to rollover contributions and distributions of the Plan were amended.

During 1998 the employees of Banco Popular, Illinois, Banco Popular, California, N.A., Banco Popular, Florida, N.A., Banco Popular, Texas N.A., Popular Leasing U.S.A., Inc. and Banco Popular, FSB participated in the Plan.

Effective January 1, 2000, the entities participating in the Plan merged to form a single banking entity under the name of Banco Popular North America (the "Bank").

On January 1, 2000 employees from the Bank, Banco Popular, N.A. (Texas), First State Bank of Southern California and Gore Bronson Bancorp became eligible to participate in the Plan. The Plan was also amended to allow for additional discretionary contributions to be made to the Plan on behalf of participants who were employees of the New York branch of Banco Popular de Puerto Rico on December 31, 1998.

On April 30, 2000, the BanPonce U.S.A. Profit Sharing/401(k) Plan adopted the name of Popular, Inc. U.S.A. Profit Sharing/401(k) Plan.

During 2000, the Plan was amended to allow for a merger of assets from Citizens National Bank Profit Sharing Savings Plan, Banco Popular de Puerto Rico Employee Stock Plan and the Gore Bronson Bancorp Profit Sharing Plan and Trust.

Effective January 1, 2001, the Plan was amended to allow participation by employees of Banco Popular de Puerto Rico (BPPR) that are employed in the Virgin Islands (VI) or British Virgin Islands (BVI). These employees can contribute from 1% to 10% of eligible pre-tax annual compensation (post tax for BVI employees) up to IRS limits. The Bank contributes 50 cents for each dollar the employee contributes up to 2% of their eligible compensation that has been invested in Popular Inc. Common Stock subject to compliance with certain requirements as outlined in the Plan. Assets from the prior plan were transferred in 2001.

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POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN
NOTES TO FINANCIAL STATEMENTS
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Effective August 1, 2001, Article 9 of the Plan was amended by adding Section 9.4 that allows participants who have attained age 59 1/2 to elect to receive 100% of the value of their before-tax deposit account and their after-tax deposit account and the vested portion of Matching Employer Contributions.

Effective February 13, 2002, US employees of Popular Insurance, Inc. were eligible to participate in the plan as of September 25, 2001.

On February 19, 2002, a restated plan was submitted to the IRS for a new determination letter. The restated plan incorporates prior amendments. In addition the plan extends benefits to employees of the GM Group in the United States as of July 1, 2001 and Popular Insurance Inc. employees in the United States as of September 25, 2001.

Effective April 1, 2002, the Ivy International Fund was replaced by the Templeton Foreign Fund. The funds added were: Fidelity Advisor Equity Growth Fund, Marshall Mid-Cap Value Fund and Strong Advisor Small Cap Value Fund.

Effective August 1, 2002, the Capital Bank Plan, was merged into the Plan.

Effective December 12, 2002 the plan was amended to conform to the Economic Growth and Tax Relief Reconciliation Act of 2001 and to allow for amendment to eliminate the option of annuity for distribution.

Effective February 1, 2003, the First State Plan with assets of \$1,365,875, was merged into the Plan.

The Plan is subject to the provisions of ERISA.

ELIGIBILITY AND VESTING

Prior to September 1, 2000, employees were automatically enrolled in the Plan upon the first day of the month coinciding with or next following the date they became an employee. Beginning September 1, 2000, employees are automatically enrolled into the Plan upon the first day of the month following 30 days of service. Participants are immediately vested in their voluntary contributions and earnings thereon. Vesting in the Bank's matching and discretionary contribution portion of their account plan plus actual earnings thereon is based on years of credited service. A participant begins to vest in the Plan according to the following table:

YEARS OF CREDITED SERVICE	VESTING PERCENTAGE
Less than 2	0%
2	25
3	50
4	75
5 or more	100

POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

CONTRIBUTIONS

Each year, employees may contribute from 1% to 10% of eligible pre-tax annual compensation up to a maximum of \$12,000 based on IRS limitations, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

The Bank contributes 50 cents for each pre-tax \$1 contributed by an employee. Additionally, the Bank contributes 50 cents for each pre-tax \$1 contributed by an employee that has been invested in the Popular, Inc. Common Stock Fund, subject to compliance with certain requirements defined in the Plan agreement. Total contributions from the Bank will not exceed 6% of the employee's pre-tax compensation. The Bank will also make a profit sharing contribution in an amount determined by the Board of Directors of the Bank. The Bank's profit sharing and 401(k) matching contribution is limited to the total amount which the Bank can deduct for federal income tax purposes.

PARTICIPANT ACCOUNTS

As of the last day of each quarter, net earnings or losses are allocated among eligible participants in proportion to their account balances relative to the total of all such account balances as of the previous valuation date, adjusted for distributions and employee contributions. As of the last day of the Plan year, the Bank's profit sharing contribution is allocated to participant accounts based upon the participants' eligible compensation, as defined, and subject to compliance with certain requirements included in the Plan agreement.

As of the last day of the plan year, the Bank's additional matching contribution is allocated based on each employee's contribution, as described above. The Bank's contributions plus the employee's after-tax and pre-tax contributions are limited to the lesser of 25% of the employee's eligible compensation or a maximum amount set annually by federal authorities.

INVESTMENT OPTIONS

Upon enrollment in the Plan, a participant may direct his/her investments and reinvestments, other than his/her Bonus Matching Contribution, into any of the following investment options.

M&I STABLE PRINCIPAL FUND: This fund's objective is to maintain safety of principal while generating a level of current income generally exceeding that of a money market fund. This fund primarily invests in traditional and synthetic investment contracts.

PIMCO TOTAL RETURN FUND: This fund invests mainly in fixed income securities, seeking maximum return, consistent with preservation of capital and prudent investment management.

VANGUARD WELLINGTON INCOME FUND: This fund seeks to conserve capital and to provide moderate long-term growth in capital and income by investing in common stocks and debt securities.

DAVIS NEW YORK VENTURE FUND: This fund's investment objective is growth of capital. The fund ordinarily invests in common stocks.

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T. ROWE PRICE MID-CAP GROWTH FUND: This fund seeks long-term capital appreciation through investments in medium-sized growth companies.

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POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN
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FIDELITY GROWTH & INCOME FUND: This fund seeks long-term growth, current income and long-term growth of income consistent with reasonable investment risk by investing in common stocks and corporate bonds.

VANGUARD S&P 500 INDEX FUND: This fund seeks investment results that correspond to the price and yield performance of the S&P 500 Index.

FIDELITY ADVISOR EQUITY GROWTH FUND: This fund seeks capital appreciation by investing in large capital common stocks with strong growth potential.

MARSHALL MID-CAP VALUE FUND: This fund seeks capital appreciation and income by investing in companies with mid capitalization value traits.

STRONG ADVISOR SMALL CAP VALUE FUND: This fund seeks capital growth by investing in equity securities of undervalued small capitalization companies.

TEMPLETON FOREIGN FUND: This fund seeks long term growth by investing primarily in equity securities of companies located outside the U.S. including emerging markets.

POPULAR INC. COMMON STOCK FUND: This fund is primarily invested in Popular Inc. Common Stock and cash.

PARTICIPANT LOANS

Participants may borrow against their fund accounts a minimum of \$500 up to a maximum of the lesser of \$50,000 or 50% of the vested portion of the participant's equity in the Plan. Loans are charged a reasonable interest rate, which range between 6.25% and 11.50%, which is determined by the Plan Committee and which meets all regulatory requirements. The loans are collateralized by the balance in the participant's account.

DISTRIBUTIONS

Distributions may occur for termination, retirement, disability, or death. The Plan provides that benefits be distributed in one of the following ways as selected by the participant or beneficiary: (a) payment in one single sum; or (b) payment in substantially equal installments determined by the participant or beneficiary.

PLAN TERMINATION

Although it has not expressed any intent to do so, the sponsor may terminate the Plan for any reason at any time, in which event there shall be no employer duty to make contributions. In the event of termination, all participants become fully vested and have a nonforfeitable right to their full account balance.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. A description of the more significant accounting policies follows.

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POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

VALUATION OF INVESTMENTS

Plan investments are stated at fair value, with the exception of M&I Stable Principal Fund that is stated at contract value, which approximates fair value. Shares of registered investment companies are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. Popular Inc. Common Stock is valued at its quoted market price.

The registered investment companies retain and reinvest all dividends. Such undistributed income is included in the statement of changes in net assets available for benefits and is recorded as an increase in the cost basis of fund units held at year end in the statement of net assets available for benefits.

Temporary investments are stated at cost, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis.

INVESTMENT INCOME

Net gain on investments is a combination of net realized gains (losses) and the change in unrealized appreciation (depreciation) from the previous year-end. Dividends are recorded on the ex-dividend date. Interest income on temporary investments is recorded on the accrual basis.

ADMINISTRATIVE EXPENSES

Legal and other administrative expenses are paid by the Bank and, accordingly, have not been reflected in the Plan's financial statements.

PAYMENT OF BENEFITS

Benefits are recorded when paid.

FORFEITED ACCOUNTS

There were no forfeited non-vested balances at December 31, 2003 and 2002. During 2003 and 2002, forfeitures applied to reduce employer contributions total \$275,753 and \$539,749, respectively.

REFUNDABLE CONTRIBUTIONS

Refundable contributions totaled \$296,395 and \$182,454 at December 31, 2003 and 2002, respectively. These excess contributions arise as a result of failing non-discrimination tests, which are prepared in accordance with the Internal Revenue Service regulations.

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USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

RISKS AND UNCERTAINTIES

The Plan provides for various investment options in any combination of stocks, fixed income securities, mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect

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POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

participant account balances and the amounts reported in the statement of net assets available for benefits.

3. INCOME TAXES

The Popular, Inc. U.S.A. Profit Sharing/401(k) Plan received a favorable determination letter from the Internal Revenue Service, dated March 25, 2004, indicating that it qualified under Section 401(a) of the Internal Revenue Code (IRC).

4. INVESTMENTS HELD

Investments held by the Plan are summarized below. Those investments that represent 5 percent or more of the Plan's net assets at the end of the year are noted with an asterisk (*).

	DECEMBER 31, 2003		DECEMBER 31, 2002	
	SHARES/UNITS	FAIR VALUE	FAIR VALUE	SHARES
Shares of registered investment companies:				
M&I Stable Principal Fund	2,272,149	\$ 2,272,149	2,160,338	\$ 2,160,338
PIMCO Total Return Fund	237,694	2,545,705 *	176,628	1,811,111
Vanguard Wellington				
Income Fund	117,129	3,374,497 *	107,744	2,611,111
Davis New York Venture Fund	66,326	1,825,288	63,614	1,311,111
T. Rowe Price Mid-Cap Growth Fund	49,177	2,109,688	47,644	1,411,111
Fidelity Growth & Income Fund	44,222	1,575,640	31,879	911,111
Vanguard S&P 500 Index Fund	20,741	2,129,431	16,889	1,311,111
Fidelity Advisor Equity Growth Fund	1,761	78,411	279	279
Marshall Mid-Cap Value Fund	14,130	195,129	3,596	3,596

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Strong Advisor Small Cap Value Fund	8,214	226,131	10,420	1
Templeton Foreign Fund	57,676	613,672	46,672	3
Popular Inc. Common Stock Fund	585,255	30,728,253 *	560,310	21,
Popular Inc. Common Stock	93	4,171	--	

		47,678,165		34,3
Participant loans		1,269,341		8

TOTAL		\$48,947,506		\$35,2
		=====		=====

During 2003, the Plan's investments (including gains and losses on investments bought and sold, well as held during the year) appreciated in value by \$10,153,512 as follows:

Mutual funds	\$ 3,045,947
Common stock fund	7,107,565

	\$ 10,153,512
	=====

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POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

The M&I Stable Principal Fund is fully benefit responsive. The average yield for the year ended December 31, 2003 was 4.33%. The crediting interest rate as of December 31, 2003 was 4.11%. The frequency and basis for determining the crediting interest rate resets are daily and accrual/units, respectively. There are no valuation reserves recorded to adjust the contract amounts. There is no minimum crediting interest rate under the terms of the contracts. There are no limitations or guarantees on the contracts.

5. RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by Marshall & Ilsley Investments. Marshall & Ilsley Investments is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. The Plan also invested in common stock and cash of its sponsor, Popular, Inc. In addition, the Company pays certain costs on behalf of the Plan.

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POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN

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SUPPLEMENTAL SCHEDULE H, LINE 4I
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2003

EXHIBIT I

(A)	(B) IDENTITY OF ISSUE, BORROWER, LESSOR, OR SIMILAR PARTY	(C) DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR, OR MATURITY VALUE	(D) COST
---	-----	-----	-----
*	M&I Stable Principal Fund PIMCO Total Return Fund Vanguard Wellington Income Fund Davis NY Venture Fund T. Rowe Price Mid-Cap Growth Fund Fidelity Growth & Income Fund Vanguard S&P 500 Index Fund Fidelity Advisor Equity Growth Fund Marshall Mid-Cap Value Fund Strong Advisor Small Cap Value Fund Templeton Foreign Fund Popular Inc. Common Stock Fund Popular Inc. Common Stock Participant Loans	2,272,149 shares 237,694 shares 117,129 shares 66,326 shares 49,177 shares 44,222 shares 20,741 shares 1,761 shares 14,130 shares 8,214 shares 57,676 shares 585,255 units 93 shares Interest rates range between 6.25% and 11.50%	\$ 2,272,14 2,533,44 3,240,00 1,589,18 1,685,79 1,578,28 2,177,64 66,57 174,96 179,35 540,97 18,288,91 2,19 1,269,34 \$ 35,598,83 =====
	Total		

* Party in interest to the Plan.

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SIGNATURE

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

POPULAR, INC. U.S.A. PROFIT SHARING/401(K) PLAN

(Name of Plan)

By: S/ Pamela Kulnis

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Pamela Kulnis
Authorized Representative

Dated: June 28, 2004