

FIRST BANCORP /PR/
Form 11-K
June 29, 2005

**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, 2004

OR

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

For the transition period from _____ to _____

Commission file number 001-14793

FIRSTBANK 401 (K) RETIREMENT PLAN FOR RESIDENTS OF PUERTO RICO

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

FIRST BANCORP

1519 Ponce de León Avenue, Stop 23
Santurce, Puerto Rico 00908-0146

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

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico

**Financial Statements and Supplemental Schedule
December 31, 2004 and 2003**

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico

**Financial Statements and Supplemental Schedule
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| Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable. | |

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of FirstBank 401(k) Retirement Plan for Residents of Puerto Rico (the Plan) at December 31, 2004 and 2003, and the changes in net assets available for benefits for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) as of December 31, 2004 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP
San Juan, Puerto Rico
June 24, 2005

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico**Statements of Net Assets Available for Benefits****December 31, 2004 and 2003**

| | 2004 | 2003 |
|---|-------------------|-------------------|
| Assets | | |
| Investments: | | |
| Investments in mutual funds, at fair value | \$ 13,030,564 | \$ 12,044,285 |
| Investment in First BanCorp common stock, at fair value | 4,852,037 | 2,421,488 |
| Participant loans receivable | 906,188 | 344,502 |
| Total investments | 18,788,789 | 14,810,275 |
| Receivables: | | |
| Employer contribution | 634,347 | 588,832 |
| Participant contributions | 8,000 | |
| Other receivables, principally interest and dividends | | 72 |
| Total receivables | 642,347 | 588,904 |
| Cash | 176,411 | 95,967 |
| Total assets | 19,607,547 | 15,495,146 |
| Liabilities | | |
| Due to brokers for securities purchased | | 2,367 |
| Net assets available for benefits | \$ 19,607,547 | \$ 15,492,779 |

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

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico

Statements of Net Assets Available for Benefits

Year Ended December 31, 2004

Additions

| | |
|---|--------------|
| Additions to net assets attributed to | |
| Investment income | |
| Net appreciation in fair value of investments | \$ 2,423,900 |
| Interest income on loans to participants | 41,594 |
| Dividends | 292,102 |
| | 2,757,596 |

| | |
|--------------------------------------|-----------|
| Contributions | |
| Employer | 813,346 |
| Participants | 1,106,287 |
| Rollovers from other qualified plans | 4,976 |

1,924,609

Total additions 4,682,205

Deductions

| | |
|--|---------|
| Deductions from net assets attributed to | |
| Benefits paid to participants | 545,806 |
| Administrative expenses | 21,631 |

Total deductions 567,437

Net increase 4,114,768

Net assets available for benefits

Beginning of year 15,492,779

End of year \$ 19,607,547

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

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico

Notes to Financial Statements

December 31, 2004 and 2003

1. Description of the Plan

Reporting Entity

The accompanying financial statements include the assets of the FirstBank 401(k) Retirement Plan for Residents of Puerto Rico (the Plan) sponsored by FirstBank Puerto Rico (the Bank) for its Puerto Rico employees only.

The following description of the Plan provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

General

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

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

Contributions

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

Participant Accounts

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

Vesting

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

**FirstBank 401(k) Retirement Plan for Residents of Puerto Rico
Notes to Financial Statements
December 31, 2004 and 2003**

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

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

Loans to Participants

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

Payment of Benefits

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

Benefits are paid in a lump-sum cash payment. If the value of the vested account is more than \$5,000, the participant may elect to defer any benefit payable under the Plan until a specified future date. If benefit payments are to be deferred, the Plan will earmark the balance as part of its assets in a special account or a deposit certificate with the funds of the former member. Interest earned on such special account is paid to the participant. Such special accounts or certificates do not participate in the allocation of the Bank's contributions or earnings of the Plan's investments. There were no deferred vested benefits at December 31, 2004 and 2003.

Plan Expenses and Administration

Bank and participant contributions are held by AST Trust Company as custodian and managed by Milliman USA, Inc. as plan recordkeeper, both appointed by the Board of Directors of the Bank. The custodian invests cash received, interest and dividend income and makes distributions to participants.

Administrative expenses for the custodian's and recordkeeper's fees are paid by the Bank.

Forfeitures

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

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico

Notes to Financial Statements

December 31, 2004 and 2003

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

Contributions

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

Investments Valuation and Income Recognition

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

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

Participant Loans

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

Payment of Benefits

Benefits are recorded when paid.

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico**Notes to Financial Statements****December 31, 2004 and 2003****3. Investments**

The following presents the Plan's investments:

| | 2004 | | 2003 | |
|--|---------------|-------------|---------------|-------------|
| | Value | # of shares | Value | # of shares |
| Ameristock Mutual Fund* | \$ 1,573,624 | 38,817 | \$ 1,567,843 | 39,783 |
| Ariel Fund | 304,080 | 5,719 | 119,767 | 2,654 |
| Baron Asset Fund* | | | 1,131,926 | 25,825 |
| Dodge & Cox Balanced Fund* | 1,396,977 | 17,605 | | |
| First BanCorp Common Stock* | 4,852,037 | 76,398 | 2,421,488 | 61,226 |
| FMI Focus* | 1,205,379 | 34,687 | | |
| GE Premier Growth Equity A | 127,319 | 4,683 | | |
| Harbor Bond Mutual Fund | 528,384 | 44,665 | 463,221 | 39,156 |
| Harbor International Institutional Fund* | 1,218,451 | 28,535 | 1,072,575 | 29,154 |
| Janus Balanced Fund | | | 1,237,290 | 62,051 |
| Janus Investment Growth & Income | | | 93,275 | 3,226 |
| Vanguard Money Market* | 3,483,805 | 3,483,805 | 3,467,004 | 3,467,004 |
| Vanguard S&P Indexed Fund* | 3,192,545 | 28,597 | 2,891,384 | 28,162 |
| Participant loans | 906,188 | | 344,502 | |
| | \$ 18,788,789 | | \$ 14,810,275 | |

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

During 2004, the Plan's investments (including gains and losses on investments bought and sold) appreciated in value as follows:

| | |
|------------------------------|--------------|
| Mutual Funds | \$ 711,606 |
| Common stock - First BanCorp | 1,712,294 |
| | \$ 2,423,900 |

4. Tax Status

The Puerto Rico Department of Treasury has determined and informed the Bank under letter dated November 10, 2004 that the Plan is designed in accordance with the applicable sections of the Internal Revenue Code of the Commonwealth of Puerto Rico and, therefore, exempt from income taxes.

5. Plan Termination

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

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico
Notes to Financial Statements
December 31, 2004 and 2003

6. Forfeited Amount

Forfeited nonvested accounts amounted to \$200 at December 31, 2004 (2003 \$11,603). These accounts are transferred by the Plan administrator to an unallocated account to be used to cover administrative expenses of the Plan or reduce the Bank's future contributions. In 2004, \$21,631 from forfeited nonvested accounts were used to cover administrative expenses of the Plan. No forfeitures were used to reduce the Bank's contributions in 2004.

7. Risks and Uncertainties

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

8. Additional Contributions

The Board of Directors of the Bank approved in 2005 an additional contribution of \$501,273 based on the Bank's 2004 results. Such additional contribution has been recorded as an employer contribution receivable and on contribution from employer in the accompanying financial statements. In

addition, as part of the Plan's compliance with its non-discrimination test, the Bank agreed to contribute \$133,074 to non-highly compensated participants to satisfy contribution requirements. Such additional contribution has also been recorded as an employer contribution receivable and on contribution from employer in the accompanying financial statements.

* * * * *

FirstBank 401(k) Retirement Plan for Residents of Puerto Rico**Schedule H, Line 4i-Schedule of Assets (Held at End of Year)****December 31, 2004****Exhibit I**

| (a) (b) Identity of issue, borrower, lessor or similar party | (c) Description of investment including maturity date, rate of interest or par | (d) Cost | (e) Current value |
|--|--|----------|-------------------|
| Ameristock Mutual Fund | Mutual Fund, 38,817 shares | ** | \$ 1,573,624 |
| Ariel Fund | Mutual Fund, 5,719 shares | ** | 304,080 |
| Dodge & Cox Balanced Fund | Mutual Fund, 17,605 shares | ** | 1,396,977 |
| * First BanCorp Common Stock | 76,398 shares of common stock | ** | 4,852,037 |
| FMI Focus | Mutual Fund, 34,687 shares | ** | 1,205,379 |
| GE Premier Growth Equity A | Mutual Fund, 4,683 shares | ** | 127,319 |
| Harbor Bond Mutual Fund | Mutual Fund, 44,665 shares | ** | 528,384 |
| Harbor International Institutional Fund | Mutual Fund, 28,535 shares | ** | 1,218,451 |
| Vanguard Money Market | Mutual Fund, 3,483,805 shares | ** | 3,483,805 |
| Vanguard S&P Indexed Fund | Mutual Fund, 28,597 shares | ** | 3,192,545 |
| * Participant loans | Interest rates ranging from 6% to 9%, maturity dates of 01/04/2005 to 04/18/2014 | ** | 906,188 |
| | | | \$ 18,788,789 |

* Party-in-interest

** Historical cost is not required for participant directed investments.

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.

FIRST BANCORP

Date: 06/29/05

By: /s/ Annie Astor-Carbonell
Annie Astor-Carbonell
Authorized Representative

Date: 06/29/05

By: /s/ Aida M. García
Aida M. García
Authorized Representative