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POPULAR INC
Form 11-K
June 28, 2002

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, 2001

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. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES
(FORMERLY "POPULAR SECURITIES, INC. INSTITUTIONAL - 1165(e) 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. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES
(FORMERLY "POPULAR SECURITIES, INC. INSTITUTIONAL - 1165 (E) PLAN")
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE
AT DECEMBER 31, 2001 AND 2000

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Financial Statements:

Report of Independent Accountants.....

Statement of Net Assets Available for
Benefits as of December 31, 2001 and 2000.....

Statement of Changes in Net Assets Available
for Benefits for the year ended December 31, 2001.....

Notes to Financial Statements.....

Supplemental Schedule:*

Schedule I - Schedule of Assets (Held at End of Year)
at December 31, 2001.....

* 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.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Participants and Administrator of
Popular, Inc. Retirement Savings Plan for Puerto Rico Subsidiaries

In our opinion, the accompanying statement 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 the Popular, Inc. Retirement Savings Plan for Puerto Rico Subsidiaries (formerly "Popular Securities, Inc. Institutional - 1165 (e) Plan") (the "Plan"), at December 31, 2001 and 2000, and the changes in net assets available for benefits for the year ended December 31, 2001, 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 auditing standards generally accepted in the United States of America, which 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) 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. This 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

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taken as a whole.

June 21, 2002

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POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES
(FORMERLY "POPULAR SECURITIES, INC. INSTITUTIONAL - 1165 (e) PLAN")
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2001 AND 2000

| | 2001 | 2000 |
|---|--------------|--------------|
| ASSETS | | |
| Investments, at fair value | \$27,076,112 | \$ 3,444,789 |
| Receivables: | | |
| Contribution receivable | 46,204 | 7,282 |
| Profit sharing contribution receivable | 2,412,512 | -- |
| Dividend and interest receivable | 89,403 | -- |
| | ----- | ----- |
| | 29,624,231 | 3,452,071 |
| Cash and cash equivalents | 160,541 | 4,681 |
| | ----- | ----- |
| Net assets available for benefits | \$29,784,772 | \$ 3,456,752 |
| | ===== | ===== |

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

2

POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES
(FORMERLY "POPULAR SECURITIES, INC. INSTITUTIONAL - 1165 (e) PLAN")
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2001

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Additions (deductions) to net assets:

| | |
|---|----------------|
| Investment income | |
| Net depreciation in fair value of investments | \$ (1,138,122) |
| Interest and dividends | 480,164 |
| | ----- |
| Total investment loss | (657,958) |
| | ----- |

Contributions:

| | |
|--------------------------------------|------------|
| Employer | 4,269,049 |
| Participants | 2,614,567 |
| Rollovers from other qualified plans | 22,268,226 |
| | ----- |
| Total contributions | 29,151,842 |
| | ----- |
| Total additions | 28,493,884 |

Deductions from net assets -

| | |
|---|-----------|
| Benefits and withdrawals paid to participants | 2,165,864 |
| | ----- |

Net increase 26,328,020

Net assets available for benefits:

| | |
|-------------------|--------------|
| Beginning of year | 3,456,752 |
| | ----- |
| End of year | \$29,784,772 |
| | ===== |

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

POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES
(FORMERLY "POPULAR SECURITIES, INC. INSTITUTIONAL - 1165 (e) PLAN")
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

1. DESCRIPTION OF PLAN

The following description of the Popular, Inc. Retirement Savings Plan for Puerto Rico Subsidiaries (formerly "Popular Securities, Inc. Institutional - 1165 (e) Plan") (the "Plan"), provides only general information. Participants should refer to the Plan agreement for a more complete description of its provisions.

General

The Plan is the renamed, amended, and restated Popular Securities, Inc.-Institutional 1165(e) Plan into which the Popular Finance, Inc. Retirement & Savings Plan, the Popular Mortgage, Inc. 1165(e) Plan, the

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Popular Leasing & Rental, Inc.-Retirement & Savings Plan, the GMG Retirement & Savings Plan, the Popular Securities Retail 1165(e) Plan and the Popular Insurance Retirement and Savings Plan were merged.

The effective date of the amended, renamed and restated defined contribution plan is January 1, 2001. The Plan covers substantially all employees of the Puerto Rico subsidiaries of Popular Inc. (the "Company") who have three months of service (the Plan was once again amended and restated effectively July 1, 2001 to reduce the eligibility period of one year of service to three months of service), are at least eighteen years old and are residents of the Commonwealth of Puerto Rico. The Plan was created for the purpose of providing retirement benefits to employees and to encourage and assist them in adopting a regular savings plan that qualifies under the applicable laws of the Commonwealth of Puerto Rico. The Plan is subject to the provisions of Employees Retirement Security Act of 1974 ("ERISA").

Contributions

Plan participants may authorize the Company to make pre-tax and after tax payroll deductions ranging from 1% to 10% of their monthly compensation, as defined. At no time may participant pre-tax contributions exceed the lesser of 10% of the participant's annual compensation, as defined, or \$8,000.

The Companies match participant's pre-tax contributions at the rate of 50 cents for each dollar saved as follows:

| SUBSIDIARY | ON THE FIRST PERCENTAGE OF PARTICIPANT'S COMPENSATION |
|--------------------------|--|
| Popular Insurance, Inc. | 6% |
| Popular Mortgage, Inc | 6% |
| GM Group, Inc. | 6% |
| Popular Finance, Inc. | 5% |
| Popular Auto, Inc. | 8% |
| Popular Securities, Inc. | 10% |

In addition, each Company may make other contributions to its own employees out of its net profits in such amounts as each Company may determine.

Participant Accounts

Each participant account is credited with its contribution and allocation of (a) its own Company matching and profit sharing contribution, (b) plan earnings, and (c) forfeitures of terminated participants' nonvested accounts with at least five periods of

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consecutive break in service. For purposes of the above, a break in service with respect to an employee, means an eligibility computation period (one year) during which such employee does not complete more than 183 days of service. During the break in service, if the terminated participant is reemployed by one of the companies, the current dollar value of such forfeited amount should be restored to the participant's account. If the participant reemployed has received a distribution such restoration will be subject to the repayment to the Plan of an amount equal to the dollar value of the distribution by the participant. 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 account. The net change in the value of the Plan is posted to the participants accounts on a monthly basis.

Vesting

Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the Companies matching and discretionary contributions plus actual earnings thereon is based on years of service. The Companies contributions vest in accordance with the following schedule:

| YEARS OF SERVICE | VESTING % |
|------------------|-----------|
| Less than 1 | 0 |
| At least 1 | 20 |
| At least 2 | 40 |
| At least 3 | 60 |
| At least 4 | 80 |
| At least 5 | 100 |

Investment Options

Upon enrollment in the Plan, a participant may elect to have its contributions invested in one or more of the following funds:

Aim Basic Value Fund

An open-end fund whose investment objective is to invest in equity securities of U.S. issuers of greater than \$500 million and that are believed to have a long-term earning power or other characteristics that are expected to result in long-term capital appreciation.

American Century Ultra Fund

An open-end fund whose investment objective is to invest in equity securities of U.S. issuers of greater than \$500 million and that are believed to have a long-term earning power or other characteristics that are expected to result in long-term capital appreciation.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

| | |
|---|--|
| Deutsche International Equity Fund | An open-end fund whose investment objective is capital appreciation. The fund pursues its objective by investing in stocks and other securities in developed countries of the United States of America. |
| Dreyfus Emerging Leaders Fund | An open-end fund which pursues its investment objective by investing in companies believed to be emerging growth companies characterized by new or innovative business processes having the potential to enhance earnings. The fund invests in companies that have a market capitalization of less than \$1 billion. |
| Federated Equity Income Fund | An open-end fund that seeks above average income and capital appreciation. The fund invests primarily in income-producing securities, including securities that are convertible into common stock. |
| Fidelity Advisor Mid Cap Fund | An open-end fund whose investment objective is long-term capital growth. The fund normally invests at least 80% of its assets in domestic and foreign companies with medium market capitalization. The fund invests in either growth or value stocks or a combination of the two. |
| Fidelity Growth and Income Portfolio Fund | An open-end fund which seeks high total return through current income and capital appreciation by investing in its assets in common equities with a focus on companies that pay dividends and show potential for capital appreciation. |
| Fidelity Advisor Equity Growth Fund | An open-end fund that seeks capital appreciation by investing in domestic and foreign companies with above-average growth potential. The fund normally invests 80% of its total assets in common stock. |
| MFS Capital Opportunities Fund | An open-end fund that seeks capital appreciation by investing 65% of its net assets in common stock and 35% in preferred, convertible securities, and deposits. |
| MFS Massachusetts Investors Growth Stock Fund | An open-end fund whose investment objective is long-term capital growth and future income rather than current income. The fund pursues its objective by investing in common equities of companies that are convertible into the common stock of companies that offer better than average prospects for long-term growth. |
| Oppenheimer Global Fund | The fund invests in common stock of companies in developed countries, including countries with developing economies, without limit to any one country. |

POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES
(FORMERLY "POPULAR SECURITIES, INC. INSTITUTIONAL - 1165 (e) PLAN")
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

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| | |
|--|--|
| | companies in a particular capitalization range. The Fund invests in mid and large-cap companies. |
| State Street Research Aurora Fund | An open-end fund whose investment objective is to provide current income and preserve investors principal. The Fund invests at least 65% of its total assets in stocks. |
| Vanguard Total Bond Market Index Fund | An open-end fund whose investment objective is to provide current interest income. The Fund pursues its objective by investing in income securities with prescribed maturity and credit standards. |
| Vanguard 500 Index Fund | The fund objective is to match the performance of the S&P 500 Index, which is dominated by the large-cap companies. The Fund invests substantially all of its assets in stocks that make up the Index. |
| Vanguard Long-Term Treasury Fund | An open-end fund whose investment objective is to provide current income and preserve investors principal. At least 85% of its assets in long-term bonds with scheduled payments are backed by the full faith and credit of the U.S. Government. |
| Vanguard Windsor II | An open-end growth and income fund. The investment objective of the Fund is to provide a long term growth of capital. A secondary objective is to provide current income. A flexible investment strategy emphasizing investments in securities which are believed to be undervalued by the market is used in the purchase. |
| Van Kampen Common Stock Fund | An open-end fund which invests in common, preferred and convertible securities convertible into common stock and emphasizes a value style of investing, seeking to purchase under-valued firms with potential for capital appreciation. |
| Federated Government Obligations Fund | An open-end fund whose investment objective is to provide current income consistent with the stability of principal. The Fund invests primarily in U.S. Treasury and agency securities and structured securities collateralized by U.S. Treasury securities. |
| Trust for U.S. Treasury Obligations fund | An open-end money market mutual fund whose investment objective is to provide shareholders with current income and the stability of principal and maintenance of principal. The Fund invests its objective by investing in short-term U.S. Treasury securities. |
| Popular Inc. Common Stock | Investment in Popular, Inc.'s common stock. The Fund is the ultimate parent. |

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Plan participants are permitted to make withdrawals from the Plan, subject to provisions in the Plan agreement and only from after-tax contributions. If a participant suffers financial hardship, as defined in the Plan agreement, the participant may request a withdrawal from his or her contributions. On termination of service due to disability, retirement or other reasons, a participant may elect to receive either a lump sum amount equal to the value of the vested interest in his or her account or installment payments. In the case of participant termination because of death, the entire vested amount is paid to the person or persons legally entitled thereto.

The Puerto Rico Internal Revenue Code Section 1165(b) requires that a 20% tax be withheld from termination payments in excess of after-tax participant contributions.

Plan Expenses and Administration

The Company is responsible for the general administration of the Plan and for carrying out the provisions thereof.

Contributions are held and managed by a trustee appointed by the Board of Directors of the Companies, which invests cash received, interest and dividend income and makes distributions to participants. Banco Popular de Puerto Rico is the trustee and recordkeeper of the Plan. Banco Santander de Puerto Rico is the trustee for the investment in Popular, Inc. common stock. All expenses of the Plan are borne by the Companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Investment Valuation and Income Recognition

Plan investments are presented at fair value. Shares of registered investment companies are presented at quoted market prices which represent the net asset value of shares held by the Plan at the reporting date. Popular, Inc.'s common stock is valued at its quoted market price. The plan presents in the statement of changes in 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.

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(FORMERLY "POPULAR SECURITIES, INC. INSTITUTIONAL - 1165 (e) PLAN")
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2001 AND 2000

Purchases and sales of securities are recorded on the trade date basis. Dividends and interest earned are recorded on the accrual basis and credited to each participant's account, as defined.

Contributions

Employee and Companies matching contributions are recorded in the period in which the Companies makes the payroll deductions from the participants earnings.

Transfer of Assets to Other Plans

Companies employees or retirees may elect to transfer their savings to other plans qualified by the Puerto Rico Department of the Treasury or by the Internal Revenue Service (the "IRS").

Payment of Benefits

Benefits are recorded when paid.

3. INVESTMENTS

The following table presents the Plan's investments that represent five percent or more of the Plan's assets at December 31, :

| | 2001 | | 2000 | |
|---------------------------------------|---------------|---------------|-------------|----|
| | # OF SHARES | VALUE | # OF SHARES | |
| Mutual Funds | | | | |
| Dreyfus Emerging Leaders Fund | 50,841.541 | \$ 1,767,760 | -- | \$ |
| Vanguard 500 Index Fund | 15,303.443 | \$ 1,620,482 | 8,136 | |
| Federated Government Obligations Fund | 7,463,900.642 | \$ 7,463,901 | -- | |
| Fidelity Income & Growth Fund | -- | -- | 14,559 | |
| American 20th Century Fund | -- | -- | 42,187 | 1 |
| Common stock | | | | |
| Popular, Inc. | 404,037.402 | \$ 11,749,408 | 15,179 | |

During 2001, the Plan's investments (including gains and losses on investments bought and sold) appreciated (depreciated) in value as follows:

| | |
|--------------|----------------|
| Mutual funds | \$ (2,061,046) |
| Common stock | 922,924 |
| | ----- |
| | \$ (1,138,122) |
| | ===== |

POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES
(FORMERLY "POPULAR SECURITIES, INC. INSTITUTIONAL - 1165 (e) PLAN")
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

4. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company 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 the Plan terminates, the interest of each participant in the Plan shall be fully vested 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.

5. TAX STATUS

The Puerto Rico Department of Treasury has not responded to the Company's formal request for a determination as to whether the Master Plan and related trust Company with applicable Puerto Rico income tax law. The Plan Administrator based on the Plan's tax counsel's advice, however, believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the income tax law. Therefore, no provision for income taxes has been included in the Plan's financial statements.

6. PROFIT SHARING CONTRIBUTION RECEIVABLE

The Board of Directors of the Companies approved profit sharing contributions amounting to \$2,520,511 in the aggregate based on 2001 subsidiaries profits. The Companies used forfeited amounts totaling \$107,998 to reduce its profit sharing contributions. These forfeitures were allocated to participant's in 2002. The amount recorded as a receivable in the accompanying financial statements was subsequently collected in January, February and March of 2002.

POPULAR, INC. RETIREMENT AND SAVINGS PLAN FOR
PUERTO RICO SUBSIDIARIES
(FORMERLY "POPULAR SECURITIES, INC. INSTITUTIONAL - 1165 (E) PLAN")
SCHEDULE OF ASSETS (HELD AT END OF YEAR) AT DECEMBER 31, 2001
(SCHEDULE H, PART IV, LINE 4I ON FORM 5500)

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| IDENTITY OF ISSUE | DESCRIPTION OF INVESTMENT | CURRENT VALUE |
|---|-----------------------------------|---------------|
| Aim Basic Value Fund | Mutual Fund - 29,083.215 units | \$ 827, |
| American Century Ultra Fund | Mutual Fund - 35,095.061 units | 970, |
| Deutsche International Equity Fund | Mutual Fund - 30.259 units | |
| Dreyfus Emerging Leaders Fund | Mutual Fund - 50,841.541 units | 1,767, |
| Federated Equity Income Fund | Mutual Funds - 1990.127 units | 32, |
| Fidelity Advisor Mid Cap Fund | Mutual Fund - 21,181.175 units | 406, |
| Fidelity Growth and Income Portfolio Fund | Mutual Fund - 2,516.093 units | 94, |
| Fidelity Advisor Equity Growth Fund | Mutual Fund - 385.780 units | 19, |
| MFS Capital Opportunities Fund | Mutual Fund - 5,389.482 units | 72, |
| MFS Massachusetts Investors Growth Stock | Mutual Fund - 16,477.436 units | 212, |
| Oppenheimer Global Fund | Mutual Fund - 1,442.819 units | 67, |
| State Street Research Aurora Fund | Mutual Fund - 22,790.810 units | 737, |
| Vanguard Total Bond Market Index Fund | Mutual Fund - 4,648.410 units | 47, |
| Vanguard Long Term Treasury Fund | Mutual Fund - 42,209.845 units | 454, |
| Vanguard 500 Index Fund | Mutual Fund - 15,303.443 units | 1,620, |
| Vanguard Windsor II | Mutual Funds - 272.706 units | 6, |
| Van Kampen Common Stock Fund | Mutual Fund - 33,545.810 units | 525, |
| Federated Government Obligations Fund | Mutual Fund - 7,463,900.642 units | 7,463, |
| Trust for U.S. Treasury obligations fund | Mutual Fund - 388.802 units | |
| Popular, Inc.* | Common Stock - 404,037.402 shares | 11,749, |
| | | ----- |
| | | \$27,076, |
| | | ===== |

*Party in-interest

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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. RETIREMENT SAVINGS PLAN

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FOR PUERTO RICO SUBSIDIARIES
(FORMERLY "POPULAR SECURITIES, INC.
INSTITUTIONAL - 1165(e) PLAN")

By: /s/ Tere Loubriel

Tere Loubriel
Authorized Representative

By: /s/ Jorge A. Junquera

Jorge A. Junquera
Authorized Representative
in the United States

Dated: June 26, 2002