

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)

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

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

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**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

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

	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
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
<b>Liabilities</b>		
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
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**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
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**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:

<b>Years of Service</b>	<b>Vested Percentage</b>
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