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FIRST BANCORP /PR/
Form 11-K
June 28, 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 001-14793

FIRSTBANK 401 (K) RETIREMENT PLAN FOR RESIDENTS OF THE
U.S. VIRGIN ISLANDS

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

FIRST BANCORP.

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

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

FIRSTBANK 401(K) RETIREMENT PLAN FOR RESIDENTS OF THE
U.S. VIRGIN ISLANDS
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* 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 REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrator of
FirstBank 401(k) Retirement Plan
for Residents of the U.S. Virgin Islands

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 the U.S. Virgin Islands (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.

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 audit of the basic financial statements and, in our opinion, is fairly

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stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

San Juan, Puerto Rico
June 18, 2004

FIRSTBANK 401(K) RETIREMENT PLAN FOR RESIDENTS OF THE
U.S. VIRGIN ISLANDS
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2003 AND 2002

| | 2003 | 2002 |
|--|-------------|-------------|
| | ----- | ----- |
| ASSETS | | |
| Investments | | |
| Investments in mutual funds, at fair value | \$1,505,323 | \$ 633,190 |
| Investment in First BanCorp. common stock, at fair value | 452,215 | 83,356 |
| Participant loans receivable | 277,481 | 428,532 |
| | ----- | ----- |
| Total investments | 2,235,019 | 1,145,078 |
| | ----- | ----- |
| RECEIVABLES | | |
| Employer contributions | 107,257 | 26,431 |
| Participant contributions | -- | 7,613 |
| Other receivables, principally interest and dividends | -- | 768 |
| | ----- | ----- |
| Total receivables | 107,257 | 34,812 |
| | ----- | ----- |
| Cash | 33,193 | 52,283 |
| | ----- | ----- |
| Total assets | 2,375,469 | 1,232,173 |
| LIABILITIES AND NET ASSETS AVAILABLE FOR BENEFITS | | |
| Due to broker for securities purchased | 578 | 11,186 |
| | ----- | ----- |
| Net assets available for benefits | \$2,374,891 | \$1,220,987 |
| | ===== | ===== |

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

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FIRSTBANK 401(K) RETIREMENT PLAN FOR RESIDENTS OF THE
 U.S. VIRGIN ISLANDS
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 YEAR ENDED DECEMBER 31, 2003

| | 2003 |
|---|-------------|
| | ----- |
| ADDITIONS | |
| Additions to net assets attributed to | |
| Investment income | |
| Net appreciation in fair value of investments | \$ 240,832 |
| Interest income on participant loans | 24,606 |
| Dividends | 27,860 |
| | ----- |
| | 293,298 |
| | ----- |
| Contributions | |
| Employer | 145,712 |
| Participants | 227,595 |
| Rollovers from other qualified plans | 561,395 |
| | ----- |
| | 934,702 |
| | ----- |
| Total additions | 1,228,000 |
| DEDUCTIONS | |
| Benefits paid to participants | 74,096 |
| | ----- |
| Net increase in net assets available for benefits | 1,153,904 |
| NET ASSETS AVAILABLE FOR BENEFITS | |
| Beginning of year | 1,220,987 |
| | ----- |
| End of year | \$2,374,891 |
| | ===== |

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

FIRSTBANK 401(K) RETIREMENT PLAN FOR RESIDENTS OF THE
 U.S. VIRGIN ISLANDS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2003 AND 2002

1. DESCRIPTION OF THE PLAN

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REPORTING ENTITY

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

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

GENERAL

The Plan is a defined contribution plan, which became effective on May 15, 1977. Effective September 1, 1991, the Plan was further amended to become a savings plan under the provisions of the U.S. Internal Revenue Code. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

In October 2002, FirstBank of Puerto Rico acquired Chase Manhattan Bank's branches at the U.S. Virgin Islands. As part of the transaction, former Chase employees began to participate in FirstBank Retirement Plan for Residents of the U.S. Virgin Islands and had the option to roll-over balances from Chase's plans.

All full-time employees 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 pre-tax 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 \$12,000 per year. The Bank is required to make a matching contribution of twenty-five cents for every dollar on the first 4% of the participant's compensation that a participant contributes to the Plan on a pre-tax basis. In addition, the Bank may voluntarily make additional contributions to the Plan at the end of the year to be distributed among the participants' accounts as established in the Plan's document. The investment of participants' and employer's contributions are directed by participants into various investment options, which include several mutual funds and 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 and employer's matching contribution plus actual earnings thereon.

FIRSTBANK 401(K) RETIREMENT PLAN FOR RESIDENTS OF THE
 U.S. VIRGIN ISLANDS
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2003 AND 2002

Effective January 1, 2002, the Plan was amended to adopt a graded vesting schedule for the Bank's additional contribution 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. Principal and interest is paid ratably through biweekly payroll deductions.

Substantially all of the participant loans outstanding as of December 31, 2003 consist of loans rolled-over from Chase's plan. The interest rates of these loans range from 4.75% to 9.50%.

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, 2003.

PLAN EXPENSES AND ADMINISTRATION

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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 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 for the following year.

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FIRSTBANK 401(K) RETIREMENT PLAN FOR RESIDENTS OF THE
U.S. VIRGIN ISLANDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

2. SUMMARY OF ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENTS

The Plan's policy is to prepare its financial statements using 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.

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 are stated at fair value. Shares of registered investment companies are valued at quoted market prices at the reporting date. First BanCorp's common stock is valued at its quoted market price. The Plan presents in the statement 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

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Participant loans receivable are valued at the amounts receivable from participants.

PAYMENT OF BENEFITS

Benefits are recorded when paid.

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FIRSTBANK 401(K) RETIREMENT PLAN FOR RESIDENTS OF THE
U.S. VIRGIN ISLANDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

3. INVESTMENTS

The following presents the Plan's investments:

| | 2003 | | 2002 | |
|--|-------------|-------------|-------------|--------|
| | VALUE | # OF SHARES | VALUE | # OF S |
| Ameristock Mutual Fund* | \$ 119,685 | 3,037 | \$ 37,658 | 1 |
| Ariel Mutual Fund | 19,455 | 431 | -- | |
| Baron Asset Fund | 91,301 | 2,083 | 31,615 | |
| First BanCorp. Common Stock* | 452,215 | 11,434 | 83,356 | 4 |
| Harbor Bond Mutual Fund* | 227,247 | 19,209 | -- | |
| Harbor International Institutional Fund* | 153,916 | 4,184 | -- | |
| Janus Balanced Fund | 100,277 | 5,029 | 32,939 | 1 |
| Janus Investment Growth & Income* | 131,915 | 4,563 | 37,744 | 1 |
| Lazard International Equity | -- | -- | 29,092 | 3 |
| Vanguard Money Market* | 534,661 | 534,661 | 269,327 | 269 |
| Vanguard S&P 500 Indexed Fund* | 126,866 | 1,236 | 41,941 | |
| Warburg Pincus Fixed Income* | -- | -- | 152,874 | 15 |
| Participant Loans* | 277,481 | | 428,532 | |
| | ----- | | ----- | |
| | \$2,235,019 | | \$1,145,078 | |
| | ===== | | ===== | |

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

During 2003, the Plan's investments (including gains and losses on investments bought and sold) appreciated (depreciated) in value as follows:

| | |
|------------------------------|------------|
| Mutal funds | \$ 113,159 |
| Common stock - First BanCorp | 127,673 |
| | ----- |
| | \$ 240,832 |
| | ===== |

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4. TAX STATUS

The Internal Revenue Service has determined and informed the Bank under letter dated December 22, 2003 that the Plan is designed in accordance with the applicable sections of the U.S. Internal Revenue Code and, therefore, exempt from income taxes.

5. PLAN TERMINATION

Although it has not expressed any intent to do so, the Bank has the right 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.

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FIRSTBANK 401(K) RETIREMENT PLAN FOR RESIDENTS OF THE
U.S. VIRGIN ISLANDS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

6. FORFEITED AMOUNT

Forfeited non-vested accounts amounted to \$1,067 at December 31, 2003. 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.

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 the amounts reported in the statement of assets available for benefits and the statement of changes in assets available for benefits.

8. ADDITIONAL CONTRIBUTION

The Board of Directors of the Bank approved in 2004 an additional contribution of approximately \$107,257 based on the Bank's 2003 results. Such additional contribution has been recorded as employer contribution receivable in the statement of net assets available for benefits.

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FIRSTBANK 401(K) RETIREMENT PLAN FOR RESIDENTS OF THE
U.S. VIRGIN ISLANDS
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
(SCHEDULE H, PART IV, LINE 4(I) ON FORM 5500)

EXHIBIT I

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| IDENTITY OF ISSUE OR BORROWER | DESCRIPTION OF INVESTMENT OR RATE OF INTEREST | 2003 |
|----------------------------------|---|-------------|
| Ameristock Mutual Fund | Mutual Fund, 3,037 shares | \$ 119,685 |
| Ariel Mutual Fund | Mutual Fund, 431 shares | 19,455 |
| Baron Asset Fund | Mutual Fund, 2,083 shares | 91,301 |
| Harbor Bond Mutual Fund | Mutual Fund, 19,209 shares | 227,247 |
| Harbor International Equity Fund | Mutual Fund, 4,183 shares | 153,916 |
| Janus Balanced Fund | Mutual Fund, 5,029 shares | 100,277 |
| Janus Investment Growth & Income | Mutual Fund, 4,563 shares | 131,915 |
| Vanguard S&P 500 Indexed Fund | Mutual Fund, 1,236 shares | 126,866 |
| Vanguard Prime Money Market Fund | Pooled Fund, 534,661 shares | 534,661 |
| First BanCorp. Common Stock * | 11,434 shares of common stock | 452,215 |
| Participant loans | Interest rate ranging from 4.75% to 9.50% | 277,481 |
| | | ----- |
| | | \$2,235,019 |
| | | ===== |

* Party-in-interest

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SIGNATURE

THE PLAN. PURSUANT TO THE REQUIREMENT OF THE SECURITIES EXCHANGE ACT OF 1934, THE BOARD OF TRUSTEES (OR 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: 06/28/04

By: /s/ Annie Astor-Carbonell

Authorized Representative

Date: 06/28/04

By: /s/ Aida M. Garcia

Authorized Representative

INDEX OF EXHIBITS

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EXHIBIT NUMBER

23

EXHIBIT DESCRIPTION

Consent of PricewaterhouseCoopers LLP