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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

BANCO POPULAR DE PUERTO RICO SAVINGS AND STOCK PLAN  
(formerly "Banco Popular de Puerto Rico Employees Stock Plan (Puerto Rico)")

(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)

BANCO POPULAR DE PUERTO RICO SAVINGS AND STOCK PLAN  
(FORMERLY "BANCO POPULAR DE PUERTO RICO EMPLOYEES' STOCK PLAN (PUERTO RICO)")  
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

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DECEMBER 30, 2001 AND 2000

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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 ACCOUNTANTS

To the Participants and Administrator of  
Banco Popular de Puerto Rico  
Savings and Stock Plan

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 Banco Popular de Puerto Rico Savings and Stock Plan (formerly "Banco Popular de Puerto Rico Employees' Stock Plan (Puerto Rico)") (the "Plan") at December 30, 2001 and 2000, and the changes in net assets available for benefits for the fiscal year ended December 30, 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

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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 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.

June 14, 2002

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BANCO POPULAR DE PUERTO RICO SAVINGS AND STOCK PLAN  
(FORMERLY "BANCO POPULAR DE PUERTO RICO EMPLOYEES' STOCK PLAN (PUERTO RICO)")  
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 30, 2001 AND 2000

	2001	2000
ASSETS		
Investments at fair value	\$46,598,316	\$39,803,685
Contribution receivable	360,399	158,073
Profit sharing contribution receivable	1,046,533	1,884,026
Dividend receivable and other	319,456	241,617
	-----	-----
	48,324,704	42,087,401
Cash and cash equivalents	2,976	18,613
	-----	-----
Total assets	\$48,327,680	\$42,106,014
	=====	=====
LIABILITIES		
Accounts payable	\$ 20,935	\$ 24,310
	-----	-----
Total liabilities	20,935	24,310
	-----	-----

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Net assets available for benefits	\$48,306,745	\$42,081,704
	=====	=====

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

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BANCO POPULAR DE PUERTO RICO SAVINGS AND STOCK PLAN  
(FORMERLY "BANCO POPULAR DE PUERTO RICO EMPLOYEES' STOCK PLAN (PUERTO RICO)")  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE FISCAL YEAR  
ENDED DECEMBER 30, 2001

-----		
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	\$ 4,207,926	
Investment income	1,216,193	
	-----	
Total investment income	5,424,119	
	-----	
Contributions:		
Employer	1,990,867	
Participants	3,723,297	
	-----	
Total contributions	5,714,164	
	-----	
Total additions	11,138,283	
	-----	
Deductions from net assets attributed to:		
Benefits paid to participants and withdrawals	3,977,198	
Rollover to other qualified plans	936,044	
	-----	
Total deductions	4,913,242	
	-----	
Net increase	6,225,041	
Net assets available for benefits:		
Beginning of year	42,081,704	
	-----	
End of year	\$48,306,745	
	=====	

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

BANCO POPULAR DE PUERTO RICO SAVINGS AND STOCK PLAN  
(FORMERLY "BANCO POPULAR DE PUERTO RICO EMPLOYEES' STOCK PLAN (PUERTO RICO)")  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 30, 2001 AND 2000

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1. DESCRIPTION OF PLAN

The following description of the Banco Popular de Puerto Rico Savings and Stock Plan (the "Plan"), formerly the "Banco Popular de Puerto Rico Employees Stock Plan (Puerto Rico)", provides only general information. Participants should refer to the Plan agreement for a more complete description of its provisions.

General

The Plan is a defined contribution plan created for the purpose of providing employees with a tax advantaged approach for saving money for retirement. The Plan provides the participants the ability to acquire investments in mutual funds as well as share in the Bank's (the "Bank") future through the purchase of Popular, Inc. (holding company of the Bank) common stock. The Plan is subject to the provisions of the Employee Retirement Security Act of 1974 ("ERISA") and covers substantially all employees of the Bank who have three months of service, are age eighteen or older, and are residents of the Commonwealth of Puerto Rico. The Plan was amended and restated as of February 1, 2001 to provide participant increased benefits and a more favorable vesting schedule.

Participants' Contributions

Plan participants may authorize the Bank to make pre-tax and after-tax payroll deductions under the Plan up to 10% of their monthly compensation, which includes basic salary before overtime, commissions, bonuses and any other special compensation. At no time may a participant's contribution exceed the lesser of 10% of compensation, as defined, or \$8,000. As per plan provisions, participants contributions made up to January 31, 2001 and which have been invested in the Popular, Inc. common stock remain invested in such option until the participant has attained 50 years of age and has completed 10 years of service.

Employer's Contributions

The Bank makes two types of contributions: a) based on the Bank's profitability and b) a matching contribution on basic salary for those who elect to contribute and invest on Popular Inc. common stock. The Plan sponsor contributes to the plan on behalf of each participant, a matching contribution equal to 50% of each participant's pre-tax contributions invested in Popular, Inc. common stock. After tax contributions and those participant's pretax contribution that are not invested in Popular, Inc. common stock shall not be matched by the sponsor. A participant's share of any Plan Sponsor contribution, is to be invested solely in the Popular, Inc. common stock until such time as he/she has attained 50 years of age and has completed 10 years of service. At this time, a participant shall have full discretionary

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investment powers of his/her account, including future plan sponsor contributions.

### Participants' Accounts

Each participant account is credited with the participant's contribution and allocations of (a) the Bank's matching and profit sharing contribution, and (b) Plan earnings. Allocations are based on participant earnings or account balances, as defined. Any dividends that are paid by Popular, Inc. and mutual fund shares are reinvested in additional shares. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

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BANCO POPULAR DE PUERTO RICO SAVINGS AND STOCK PLAN  
(FORMERLY "BANCO POPULAR DE PUERTO RICO EMPLOYEES' STOCK PLAN (PUERTO RICO)")  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 30, 2001 AND 2000

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### Vesting

Participants are immediately vested in their voluntary contribution plus actual earnings thereon. Vesting in the Company's matching and discretionary contributions plus actual earnings thereon is based on years of service. The Company's contribution 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
5 or more	100

### Payment of Benefits

Participants receive the vested portion of their individual accounts when employment with the Bank ends. In service withdrawals are permitted, but limited to after-tax contributions in the participants account. Minimum withdrawal amount is \$1,000. On termination of service due to disability or retirement, a participant may elect to receive an amount equal to the value of the vested interest in his or her account as a lump sum distribution in cash, shares of Popular, Inc. common stock, if applicable, or a combination of both. 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 contribution, if any.

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### Investments

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

Deutsche International Equity Fund	An open-end fund whose investment objective seeks long-term capital appreciation. The fund pursues its objective by investing primarily in stocks and other securities from developed countries outside the United States.
Dreyfus Emerging Leaders Fund	An open-end fund which pursues its investment objective of capital growth by investing in companies believed to be emerging leaders, such as small companies characterized by new or innovative products services or processes having the potential to enhance earnings growth. These companies have a market capitalization of less than \$1.5 billion.
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 equity securities.

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BANCO POPULAR DE PUERTO RICO SAVINGS AND STOCK PLAN  
(FORMERLY "BANCO POPULAR DE PUERTO RICO EMPLOYEES' STOCK PLAN (PUERTO RICO)")  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 30, 2001 AND 2000

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Federated Government Obligations Fund	An open-end fund whose investment objective seeks to provide current income consistent with stability of principal by investing primarily in U.S. Treasury and agency securities, including repurchase agreements collateralized by U.S. Treasury and agency securities.
Federated Equity Income Fund	An open-end fund that seeks above to average income and capital appreciation. The fund invests primarily in income-producing equity securities including securities that are convertible into common stock.
Vanguard Total Bond Market Index Fund	An open-end fund whose investment objective seeks a high level of interest income. The Fund pursues its objective by investing in fixed income securities with prescribed maturity and credit quality standards.
Popular Inc. common stock	Investment in Popular, Inc.'s common stock.

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Popular, Inc. is the Bank's parent.

### Plan Expenses and Administration

The Bank 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 Bank. All expenses of the Plan are borne by the Bank.

### Forfeited Accounts

Forfeited balances of terminated participants' nonvested accounts are used to reduce future Bank contributions or, at the Bank's discretion, redistributed among participants after a five (5) year severance period. During the severance period, if the terminated participant is reemployed by the Bank, the dollar value at the date of reemployment of such forfeited amounts shall be restored to the participant's account if the reemployed participant repays to the Plan an amount equal to the dollar amount of his/her vested balance distributed upon termination.

Forfeited amounts used to reduce 2001 Profit Sharing contribution amounted to \$546,330.

## 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.

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BANCO POPULAR DE PUERTO RICO SAVINGS AND STOCK PLAN  
(FORMERLY "BANCO POPULAR DE PUERTO RICO EMPLOYEES' STOCK PLAN (PUERTO RICO)")  
NOTE TO FINANCIAL STATEMENTS  
DECEMBER 30, 2001 AND 2000

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### 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. common stock is valued at its quoted market price. The Plan presents in the statement of changes in net



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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 the trade date basis, while dividends and interest earned are recorded on the accrual basis and credited to each participant's account, as defined.

Contributions

Employee and Bank matching contributions are recorded in the Plan year in which the Bank makes the payroll deductions.

Transfer of Assets to Other Plans

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

Payment of Benefits

Benefits are recorded when paid.

3. INVESTMENT

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

	# OF SHARES	VALUE
Common stock		
Popular, Inc.*	1,599,326,962	\$46,364,489

\* includes non participants directed portion

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

Mutual funds	\$ (78,983)
Common stock - Popular, Inc.	4,286,909
	-----
	\$ 4,207,926
	=====

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4. NON-PARTICIPANT DIRECTED INVESTMENTS

Information about the net assets and the significant components of the changes in assets relating to the non-participant directed investments as of December 31, is as follows:

	2001	2000
Net asset		
Popular, Inc. Common Stock	\$33,756,986 =====	\$42,081,704 =====

	YEAR ENDED DECEMBER 31, 2001
Changes in net assets:	
Contributions	\$ 2,384,337
Dividends and interest	898,439
Net appreciation	4,300,684
Benefits paid to participants	(3,468,391)
Transfers to participant directed investments and other Plans under ERISA requirements	(12,439,788) -----
	\$ (8,324,719) =====

Effective January 31, 2001, the plan was amended to require, among other things, that participant investments in Popular, Inc. common stock up to that date, are to remain invested until participants attain 50 years of age and 10 years of service. At the time, participants will be allowed to direct their investment balances to other investment options.

5. PROFIT SHARING CONTRIBUTION RECEIVABLE

The Board of Directors of the Bank approved profit sharing contributions of \$1,592,864 and \$1,884,026 based on 2001 and 2000 Bank earnings, respectively. The 2001 profit sharing contribution receivable on the accompanying financial statements is net of forfeitures amounting to \$546,330 used to reduce Bank contribution. These forfeitures were allocated to plan Participants' in 2002. No forfeitures were used to reduce the 2000 profit sharing contribution. Amounts receivable were subsequently collected in January 2002 and February and March 2001, respectively.

6. TAX STATUS

The Plan obtained a favorable determination letter from the Department of Treasury of the Commonwealth of Puerto Rico. The letter indicates that the Plan is designed in accordance with the applicable income tax law and is, therefore, exempt from income taxes. The Plan and the

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income tax law have been amended since receiving the determination letter. The Plan Administrator and the Plan's tax counsel, however, believe that the Plan is designed and is currently being operated in compliance with the applicable requirement of the income tax law. Therefore, no provision for income taxes has been included in the Plan's financial statements.

7. 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 the Plan terminates, the interest of each participating employee in the Plan shall become 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.

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SUPPLEMENTAL SCHEDULE  
SCHEDULE I

BANCO POPULAR DE PUERTO RICO SAVINGS AND STOCK PLAN  
(FORMERLY "BANCO POPULAR DE PUERTO RICO EMPLOYEES' STOCK PLAN (PUERTO RICO)")  
SCHEDULE OF ASSETS (HELD AT END OF YEAR) AT DECEMBER 30, 2001  
(SCHEDULE H, PART IV, LINE 4I ON FORM 5500)

IDENTITY OF ISSUE	DESCRIPTION OF INVESTMENT	SHARES	COST	CURR VALUE
Deutsche International Equity Fund	Mutual Fund	709,182	--	\$
Dreyfus Emerging Leaders Fund	Mutual Fund	1,260,336	--	
Federated Government Obligation Fund	Mutual Fund	61,713,328	--	
Fidelity Advisor Equity Fund	Mutual Fund	1,356,269	--	
Federated Equity Income Fund	Mutual Fund	1,860,887	--	
Vanguard Mutual Total Bond Market Index Fund	Mutual Fund	1,438,017	--	
Popular, Inc.*	Common stock**	1,599,326,962	31,547,815	46,
			----- \$ 31,547,815	----- \$46,
			=====	=====

\* Party in-interest

\*\* Includes non participant directed portion

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\*\*\* Cost is not required for participant directed investments

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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.

BANCO POPULAR DE PUERTO RICO  
SAVINGS AND STOCK PLAN  
(formerly "Banco Popular de  
Puerto Rico Employees' Stock  
Plan (Puerto Rico)")  
(Name of Plan)

By: /s/ Tere Loubriel

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Tere Loubriel  
Authorized Representative

By: /s/ Jorge A. Junquera

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Jorge A. Junquera  
Authorized Representative  
in the United States

Dated: June 26, 2002

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