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POPULAR INC  
Form 11-K  
June 30, 2003

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, 2002

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

(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  
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE  
DECEMBER 31, 2002 AND 2001

POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES  
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

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AT DECEMBER 31, 2002 AND 2001

Financial Statements:

Report of Independent Auditors.....

Statements of Net Assets Available for  
Benefits as of December 31, 2002 and 2001.....

Statement of Changes in Net Assets Available  
for Benefits for the year ended December 31, 2002.....

Notes to Financial Statements.....

Supplemental Schedule:\*

Schedule I - Schedule of Assets (Held at End of Year)  
at December 31, 2002.....

\* 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 AUDITORS

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

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 the Popular, Inc. Retirement Savings Plan for Puerto Rico Subsidiaries (the "Plan"), at December 31, 2002 and 2001, and the changes in net assets available for benefits for the year ended December 31, 2002, 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

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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 taken as a whole.

/s/ PricewaterhouseCoopers, LLP

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PricewaterhouseCoopers, LLP

San Juan, Puerto Rico

June 20, 2003

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POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2002 AND 2001

	2002	2001
	-----	-----
ASSETS		
Investments, at fair value	\$32,636,820	\$27,076,112
Receivables:		
Contribution receivable	--	46,204
Profit sharing contribution receivable	2,188,186	2,412,512
Dividend and interest receivable	125,636	89,403
	-----	-----
	34,950,642	29,624,231
Cash and cash equivalents	131,441	160,541
	-----	-----
Net assets available for benefits	\$35,082,083	\$29,784,772
	=====	=====

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

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POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 YEAR ENDED DECEMBER 31, 2002

Additions to net assets:	
Investment income	
Net appreciation in fair value of investments	\$ 337,425
Interest and dividends	529,251
	-----
Total investment income	866,676
	-----
Contributions:	
Employer	3,461,462
Participants	3,084,257
Rollovers from other qualified plans	160,503
	-----
Total contributions	6,706,222
	-----
Total additions	7,572,898
Deductions from net assets:	
Benefits and withdrawals paid to participants	2,275,587
	-----
Net increase	5,297,311
Net assets available for benefits:	
Beginning of year	29,784,772
	-----
End of year	\$35,082,083
	=====

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

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POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001

1. DESCRIPTION OF PLAN

The following description of the Popular, Inc. Retirement Savings Plan for Puerto Rico Subsidiaries (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 a defined contribution plan excluding Banco Popular de Puerto Rico employees plan covering substantially all employees of the Puerto Rico subsidiaries of Popular Inc. (the "Companies") who have 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 Employee Retirement Income 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%
Levitt 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 discretionary contributions to its own employees out of its net profits in such amounts as each Company may determine.

Participant Accounts

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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 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

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POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001

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 vested account.

### 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

### Payment of Benefits

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

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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 Boards 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.

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POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001

### 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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Purchases and sales of securities are recorded on the trade date basis. Dividends and interest earned are recorded under 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.

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POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2002 AND 2001

### 3. INVESTMENTS

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

	2002		2001	
	# OF SHARES	VALUE	# OF SHARES	
Mutual Funds				
Dreyfus Emerging Leaders Fund	(*)	(*)	50,841.541	
Vanguard 500 Index Fund	(*)	(*)	15,303.443	
Federated Government Obligations Fund	9,351,493.057	\$ 9,351,493	7,463,900.642	
Common stock				
Popular, Inc. (**)	442,234.590	\$14,947,529	404,037.402	

(\*) Investment does not exceeds 5% or more of the Plan assets at December 31, 2002

(\*\*) Party-in-interest

During 2002, the Plan's investments (including gains and losses on investments bought and sold) (depreciated) appreciated in value as follows:

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Mutual funds	\$ (1,659,777)
Common stock	1,997,202
	-----
	\$ 337,425
	=====

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 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 has been amended since receiving the determination letter. 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.

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POPULAR, INC. RETIREMENT SAVINGS PLAN FOR PUERTO RICO SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001

6. PROFIT SHARING CONTRIBUTION RECEIVABLE

The Boards of Directors of the Companies approved profit sharing contributions amounting to \$2,216,659 in the aggregate based on 2002 subsidiaries profits. The Companies used forfeited amounts totaling \$28,473 to reduce its profit sharing contributions. These forfeitures were allocated to participants in 2003. The amount recorded as a receivable in the accompanying financial statements was subsequently collected in January, February and March of 2003.

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SUPPLEMENTAL SCHEDULE

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SCHEDULE I

POPULAR, INC. RETIREMENT AND SAVINGS PLAN FOR  
 PUERTO RICO SUBSIDIARIES  
 SCHEDULE OF ASSETS (HELD AT END OF YEAR) AT DECEMBER 31, 2002  
 (SCHEDULE H, PART IV, LINE 4I ON FORM 5500)

IDENTITY OF ISSUE	DESCRIPTION OF INVESTMENT	CURRENT VALUE
Aim Basic Value Fund	Mutual Fund- 38,274.843 units	\$ 836,6
American Century Ultra Fund	Mutual Fund- 31,228.094 units	661,4
Dreyfus Emerging Leaders Fund	Mutual Fund- 53,712.874 units	1,491,0
Federated Equity Income Fund	Mutual Funds- .020 units	0.
Fidelity Advisor Mid Cap Fund	Mutual Fund- 37,160.865 units	579,3
Fidelity Advisor Equity Growth Fund	Mutual Fund- 273.292 units	9,5
MFS Capital Opportunities Fund	Mutual Fund- 8,038.764 units	75,0
MFS Massachusetts Investors Growth Stock	Mutual Fund- 24,171.677 units	223,1
MFS Research International A Equity Fund	Mutual Fund- 3,827.641 units	39,7
Oppenheimer Global Fund	Mutual Fund- 3,218.172 units	116,6
Pimco Total Return	Mutual Fund- 9,316 units	171,5
Scudder International Equity	Mutual Fund- 16,075.653 units	1
State Street Research Aurora Fund	Mutual Fund- 34,158.822 units	881,2
Vanguard Long Term Treasury Fund	Mutual Fund- 74,345.240 units	874,3
Vanguard 500 Index Fund	Mutual Fund- 19,396.443 units	1,574,0
Vanguard Windsor II	Mutual Funds- .003 units	0.
Van Kampen Common Stock Fund	Mutual Fund- 65,143.040 units	803,8
Federated Government Obligations Fund	Mutual Fund - 9,351,493.057 units	9,351,4
Popular, Inc. (*)	Common Stock- 442,234.590 shares	14,947,5
		-----
		\$32,636,8
		=====

(\*) 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 For  
Puerto Rico Subsidiaries

By: /s/ Vilma De la Torriente  
-----  
Vilma De la Torriente  
Authorized Representative

Dated: June 30, 2003

Exhibit Index

Exhibit

Exhibit 23            Consent of Independent Auditors  
Exhibit 99            Section 906 Certification

EXHIBIT INDEX

Exhibit

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Exhibit 99            Section 906 Certification