

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

BANPONCE CORP

CIK: **763901** | IRS No.: **660416582** | State of Incorporation: **PR** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-13818** | Film No.: **96502889**
SIC: **6022** State commercial banks

Mailing Address
P.O. BOX 362708
SAN JUAN PR 00936-2708

Business Address
209 MUNOZ RIVERA AVE
POPULAR CENTER BUILDING
HATO REY PR 00918
8097659800

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): January 9, 1996

BANPONCE CORPORATION

(Exact name of registrant as specified in its charter)

<TABLE>

<S>

COMMONWEALTH OF PUERTO RICO

(State or other jurisdiction of incorporation)

<C>

NO. 0-13818

(Commission
File Number)

<C>

NO. 66-0416582

(IRS Employer
Identification No.)

209 MUNOZ RIVERA AVENUE
HATO REY, PUERTO RICO

(Address of principal executive offices)

00918

(Zip Code)

</TABLE>

Registrant's telephone number, including area code: (809) 765-9800

(Former name or former address, if changed since last report)

ITEM 5. Other Events

On January 9, 1996, BanPonce Corporation (the "Corporation") announced by way of a news release, its operational results for the year ended December 31, 1995. A copy of the Corporation's release, dated January 9, 1996, is attached hereto as Exhibit 99(a) and is hereby incorporated by reference.

ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits

99(a) News release, dated January 9, 1996, announcing the Corporation and subsidiaries earnings for the year ended December 31, 1995.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BANPONCE CORPORATION
(Registrant)

Date: January 9, 1996

By: /s/ Amilcar L. Jordan, Esq.

Name : Amilcar L. Jordan, Esq.

Title : Senior Vice President and Comptroller

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EXHIBIT INDEX

EXHIBIT NUMBER

DESCRIPTION

99(a)

News release, dated January 9, 1996

(BANPONCE LETTERHEAD)

For additional information:
Jorge A. Junquera
Senior Executive Vice President
Telephone (809) 754-1685

January 9, 1996

News Release

BanPonce Corporation and subsidiaries earnings
for the year ended December 31, 1995

BanPonce Corporation (the Corporation) today announced net income of \$146.4 million for the year ended December 31, 1995, an increase of \$21.6 million or 17.3% over the net income of \$124.7 million reported in 1994. Earnings per common share (EPS) for the year were \$4.19, based on 32,908,150 average shares outstanding compared with \$3.67 for 1994, based on 32,798,243 average shares outstanding.

The Corporation's return on assets (ROA) and return on common equity (ROE) for 1995 were 1.04% and 14.22%, respectively. In 1994, the Corporation reported ROA and ROE of 1.02% and 13.80%, respectively.

Net earnings for the last quarter of 1995 reached \$40.3 million or \$1.15 per common share, based on 32,948,636 average shares outstanding. For the last quarter of 1994 net earnings totaled \$32.6 million or \$0.93 per common share, based on 32,838,128 average shares outstanding. ROA and ROE for the fourth quarter of 1995 were 1.05% and 14.82%, respectively, compared with 1.03% and 13.54% for the same period of 1994.

The increase in the Corporation's net earnings as compared with the prior year was due to an increase of \$48.7 million in net interest income and an increase of \$32.1 million in other revenues. These improvements were partially offset by increases of \$39.1 million in operating expenses, \$10.8 million in the provision for loan losses and \$9.7 million in income taxes.

The increase in net interest income resulted mainly from the growth of \$1.8 billion in the average volume of earning assets. The increase in the volume of earning assets was funded through a higher amount of deposits and borrowings. The net interest yield for the year ended December 31, 1995, was 4.41%, compared with 4.70% for 1994.

The increase in the provision for loan losses was mainly due to the increase in the Corporation's loan portfolio and the rise in net charge-offs. Net charge-offs for the year ended December 31, 1995, were \$50.0 million or 0.61% of average loans, compared with \$36.9 million or 0.52% of average loans for 1994.

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Other service fees and service charges on deposit accounts increased \$12.5 million and \$6.9 million, respectively, while other operating income rose \$6.0 million. The increase in other service fees was mainly attained at Banco Popular de Puerto Rico. The key factors for the rise in this revenue category were increases in mortgage servicing fees, credit card fees, fees related to the sale and administration of investment products, credit life insurance fees and fees collected on the growing volume of transactions at point-of-sale (POS) terminals and other electronic transactions. Service charges on deposits increased \$5.8 million at Banco Popular largely attributed to a broader variety of services offered to the commercial accounts together with revisions made to the fee structure and higher fees collected on returned checks. The increase in other operating income was mainly due to higher gains on sale of mortgage loans realized by Equity One and the contribution of the new subsidiary Puerto Rico Home Mortgage together with the income on investment banking and underwriting services provided by BP Capital Markets. In addition, the other operating revenues of the Corporation's leasing subsidiaries also increased due to higher gains on sales of daily rental units and a higher daily rental income.

The gains on sale of investment securities available-for-sale for 1995 amounted to \$5.4 million, as compared with \$0.2 million for 1994. Trading transactions contributed with \$1.8 million to the Corporation's earnings in the current year compared with \$0.2 million last year.

Personnel costs increased \$23.3 million compared with 1994, of which \$4.7 million represents expenses of the Corporation's new subsidiaries, Banco Popular, FSB, Puerto Rico Home Mortgage and BP Capital Markets. The rise in

personnel costs is also related to normal annual merit increases, business expansion and an increase in medical plan costs and in the pension and postretirement benefits expenses. In addition, the implementation of a voluntary early retirement plan at the beginning of 1995 for employees meeting certain eligibility requirements, represented a cost of \$4.6 million to the Corporation during the first two quarters of 1995. Other operating expenses increased \$15.8 million compared with the prior year. The increase in other operating expenses was mostly in equipment, net occupancy, communications and supplies expenses. These increases are mostly attributed to the growth and expansion of the Corporation's business activities and the costs related to the expansion of the electronic payment system, the growth in the network of POS terminals and the development of new products and services. In addition, Banco Popular increased its reserve for sundry losses to cover losses incurred in the U.S. Virgin Islands as a result of hurricane Marilyn. The operations acquired during 1995--Banco Popular, FSB, Puerto Rico Home Mortgage and BP Capital Markets--were responsible for \$7.3 million of the increase in other operating expenses. Partially offsetting these increases was a decrease of \$9.3 million due to the reduction in the FDIC assessment rate during the third quarter of 1995 retroactive to June 1, 1995, when the Bank Insurance Fund (BIF) reached the statutory level. The increase in income tax results from a higher pre-tax income.

The Corporation's total assets at December 31, 1995, amounted to \$15.7 billion, compared with \$12.8 billion at December 31, 1994. Most of the growth relates to Banco Popular de Puerto Rico, which increased \$1.2 billion in total assets, and BP Capital Markets, which had \$1 billion in total assets at December 31, 1995. In addition, Banco Popular, FSB and Puerto Rico Home Mortgage had total assets of \$273 million and \$108 million, respectively, at the end of 1995. Total loans amounted to \$8.7 billion at December 31, 1995, compared with \$7.8 billion a year ago. Commercial loans

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3 - BANPONCE CORPORATION YEAR-END RESULTS

reflected the largest growth, followed by mortgage loans, which also rose, particularly at Banco Popular, Equity One and Puerto Rico Home Mortgage.

In November, the Financial Accounting Standards Board (FASB) issued a Special Report, "A Guide to Implementation of Statement 115 on Accounting for Certain Investment in Debt and Equity Securities". In conjunction with the issuance of this Special Report the FASB provided for a one-time "window" to reclassify securities from the held-to-maturity portfolio, to available-for-sale or trading before January 1, 1996, without calling into question the intent to hold other debt securities to maturity in the future. As a result of this window, the Corporation transferred \$1.3 billion from the securities held-to-maturity account to the available-for-sale account.

The allowance for loan losses amounted to \$168.4 million as of December 31, 1995, or 1.94% of loans, compared with \$153.8 million or 1.98% at the same date in 1994. Non-performing assets at December 31, 1995, were \$156.5 million or 1.80% of loans, compared with \$107.6 million or 1.38% at the end of 1994.

Total deposits were \$9.9 billion at December 31, 1995, compared with \$9.0 billion at December 31, 1994. Most of the increase was attained at Banco Popular, where total deposits increased \$637.7 million. Also contributing to this increase were \$183 million in deposits of Banco Popular, FSB, a new subsidiary of the Corporation operating in New Jersey, which acquired from the Resolution Trust Corporation four branches in January 1995 and opened two new branches in August.

On December 7, 1995, the Corporation issued \$125 million in subordinated debt due on December 15, 2005, with an interest rate of 6.75%. The proceeds of this issuance will be used for the Corporation's business expansion.

At December 31, 1995, stockholders' equity was \$1.1 billion, compared with \$1.0 billion at December 31, 1994. The allowance for unrealized holding gains on securities available-for-sale net of deferred taxes, as required by SFAS 115, amounted to \$15.9 million at December 31, 1995, compared with an allowance for unrealized losses, net of taxes, of \$19.4 million a year ago.

The market value of the Corporation's common stock at December 31, 1995, was \$38.75, compared with \$28.125 at December 31, 1994. At December 31, 1995, the Corporation's common stock had a book value per share of \$31.60. At the same date, the Corporation's market capitalization was \$1.3 billion.

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BANPONCE CORPORATION FINANCIAL SUMMARY

(In thousands, except per share data)

<TABLE>
<CAPTION>

	1995	1994	Fourth Quarter	YEAR ENDED DECEMBER 31
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	Fourth Quarter	Third Quarter	Fourth Quarter	1995-1994 Percent Variance	1995	1994	Percent Variance
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SUMMARY OF OPERATIONS							
Interest income	\$ 298,312	\$ 288,459	\$ 239,034	24.80%	\$1,105,807	\$ 887,140	24.65%
Interest expense	142,191	140,044	101,583	39.98	521,624	351,633	48.34
Net interest income	156,121	148,415	137,451	13.58	584,183	535,507	9.09
Provision for loan losses	21,227	18,987	12,544	69.22	64,558	53,788	20.02
Net interest income after provision for loan losses	134,894	129,428	124,907	8.00	519,625	481,719	7.87
Other operating income	44,155	44,588	37,904	16.49	166,256	140,853	18.04
Gain on sale of securities	3,306	1,950	157		5,368	224	2,296.43
Trading account profit (loss)	1,192	293	(96)		1,785	227	686.34
Total other income	48,653	46,831	37,965	28.15	173,409	141,304	22.72
Salaries and benefits	57,250	57,928	52,474	9.10	230,072	206,542	11.39
Profit sharing	4,735	4,435	3,212	47.42	19,003	19,205	(1.05)
Other operating expenses	62,284	57,233	58,580	6.32	237,829	222,099	7.08
Total operating expenses	124,269	119,596	114,266	8.75	486,904	447,846	8.72
Income before income tax and dividends on preferred stock of Banco Popular	59,278	56,663	48,606	21.96	206,130	175,177	17.67
Income tax	19,026	18,356	15,980	19.06	59,769	50,043	19.44
Dividends on preferred stock of Banco Popular	40,252	38,307	32,626	23.37	146,361	125,134	16.96
						385	(100.00)
Net income	\$ 40,252	\$ 38,307	\$ 32,626	23.37	\$ 146,361	\$ 124,749	17.32
Net income applicable to common stock	\$ 38,164	\$ 36,220	\$ 30,538	24.97	\$ 138,011	\$ 120,504	14.53
Earnings per common share:							
Net income	\$1.15	\$1.10	\$0.93	23.48	\$4.19	\$3.67	14.15
Average common shares outstanding	32,948,636	32,922,318	32,838,128		32,908,150	32,798,243	
Common shares outstanding at end of period	32,948,836	32,922,318	32,838,128		32,948,636	32,838,128	

</TABLE>

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BANPONCE CORPORATION
Financial Summary
(in thousands)

<TABLE>
<CAPTION>

	1995	1994	THIRD QUARTER 1995-1994 PERCENT VARIANCE	YEAR ENDED DECEMBER 31	PERCENT VARIANCE		
<S>	<C>	<C>	<C>	<C>	<C>		
SELECTED AVERAGE BALANCES							
Total assets	\$15,181,981	\$14,708,551	\$12,585,555	20.63	\$14,117,972	\$12,225,530	15.48
Loans	8,547,855	8,360,391	7,644,862	11.81	8,217,756	7,107,746	15.62
Earning assets	14,276,055	13,787,514	11,749,025	21.51	13,244,097	11,389,680	16.28
Interest-bearing liabilities	11,907,511	11,596,367	9,571,345	24.41	10,989,023	9,330,088	17.78
Stockholders' equity	1,121,147	1,087,119	994,186	12.77	1,070,464	924,869	15.74
PERFORMANCE RATIOS							
Net interest yield*	4.37%	4.31%	4.68%		4.41%	4.70%	
Return on assets	1.05	1.03	1.03		1.04	1.02	
Return on common equity	14.82	14.55	13.54		14.22	13.80	
CREDIT QUALITY DATA							
Nonperforming assets	\$156,480	\$155,915	\$107,635	45.38	\$156,480	\$107,635	45.38

Net loans charged-off	17,264	13,291	8,175	111.18	49,963	336,900	35.40
Allowance for loan losses	168,393	164,430	153,798	9.49	168,393	153,798	9.49
Nonperforming assets to total assets	1.00%	1.04%	0.84%		1.00%	0.84%	
Allowance for losses to loans	1.94	1.94	1.98		1.94	1.98	

SELECTED FINANCIAL DATA AT PERIOD-END

Total assets	\$14,934,595			\$15,673,766	\$12,778,358	22.66
Loans	8,486,899			8,678,234	7,781,329	11.53
Earning assets	13,967,926			14,668,574	11,843,806	23.85
Interest-bearing liabilities	11,745,871			12,236,978	9,612,955	27.30
Stockholders' equity	1,102,047			1,141,326	1,002,423	13.86

</TABLE>

* Not on a taxable equivalent basis